

Resolution 9195, amending sections 2804 and 3402 of the Revised Statutes; to the Committee on Ways and Means.

7404. Also, petition of the Ellay Co. (Inc.), of New York City, favoring the old rate of postage of 1 cent on third-class matter; to the Committee on the Post Office and Post Roads.

7405. Also, petition of the American Legion, Department of New York State, headquarters of New York City, favoring the passage of the universal draft bill; to the Committee on Military Affairs.

7406. Also, petition of Gen. Harrison Gray Otis Post, No. 1537, of Los Angeles, Calif., favoring the passage of the Tyson-Fitzgerald bill; to the Committee on Military Affairs.

7407. Also, petition of the United Veterans of the Republic, of Los Angeles, Calif., favoring the passage of the Tyson-Fitzgerald bill; to the Committee on Military Affairs.

7408. Also, petition of Military Order of the World War, of New York, favoring the passage of the Tyson-Fitzgerald bill; to the Committee on Military Affairs.

7409. Also, petition of Post No. 169, American Legion, of the United States Veterans' Hospital of Outwood, Ky., favoring the passage of the Cutting-Blanton bill; to the Committee on World War Veterans' Legislation.

7410. Also, petition of the American Federation of Labor, favoring the passage of Senate bill 744, with certain amendments, for the establishment and maintenance of the Nation's merchant marine service; to the Committee on the Merchant Marine and Fisheries.

7411. By Mr. TEMPLE: Resolution of Department of Pennsylvania, the American Legion, in support of legislation for the retirement of emergency Army officers permanently disabled in line of duty (H. R. 500, S. 777); to the Committee on World War Veterans' Legislation.

## SENATE

FRIDAY, May 4, 1928

(Legislative day of Thursday, May 3, 1928)

The Senate reassembled at 12 o'clock meridian, on the expiration of the recess.

The VICE PRESIDENT. The Senate will receive a message from the House of Representatives.

### MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9481) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1929, and for other purposes; that the House receded from its disagreement to the amendment of the Senate numbered 4 to the said bill and concurred therein; that the House receded from its disagreement to the amendments of the Senate numbered 1, 10, and 11 and concurred therein severally with an amendment, in which it requested the concurrence of the Senate, and also that the House insisted on its disagreement to the amendments of the Senate numbered 7, 8, and 9.

The message also announced that the House had passed the bill (S. 3555) to establish a Federal farm board to aid in the orderly marketing and in the control and disposition of the surplus of agricultural commodities in interstate and foreign commerce, with an amendment, in which it requested the concurrence of the Senate.

### ENROLLED BILLS SIGNED

The message further announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

H. R. 3216. An act for the relief of Margaret T. Head, administratrix;

H. R. 7475. An act to provide for the removal of the Confederate monument and tablets from Greenlawn Cemetery to Garfield Park;

H. R. 11482. An act to amend section 2 of an act entitled "An act to authorize an appropriation for the care, maintenance, and improvement of the burial grounds containing the remains of Zachary Taylor, former President of the United States, and the memorial shaft erected to his memory, and for other purposes," approved February 24, 1925;

H. R. 11629. An act to amend the proviso of the act approved August 24, 1912, with reference to educational leave to employees of the Indian Service; and

H. R. 11723. An act to provide for the paving of the Government road, known as the La Fayette Extension Road, com-

mencing at Lee & Gordon's mill, near Chickamauga and Chattanooga National Military Park, and extending to La Fayette, Ga., constituting an approach road to Chickamauga and Chattanooga National Military Park.

### ORDER OF PROCEEDING

Mr. HARRISON obtained the floor.

Mr. CURTIS. Mr. President, will the Senator yield? I desire to suggest the absence of a quorum.

Mr. HARRISON. If the Senator will withhold the suggestion for a moment, I will then yield. I understand the Senator from Michigan [Mr. VANDENBERG] desires to call up a bill for consideration which will not entail any discussion. I yield to him for that purpose.

### ADDITIONAL CIRCUIT JUDGE FOR SIXTH JUDICIAL CIRCUIT

Mr. VANDENBERG. Mr. President, I ask unanimous consent for the immediate consideration of Calendar No. 980, the bill (H. R. 8229) for the appointment of an additional circuit judge for the sixth judicial circuit.

The VICE PRESIDENT. Is there objection to the request of the Senator from Michigan?

There being no objection, the Senate, as in Committee of the Whole, proceeded to consider the bill, and it was read, as follows:

*Be it enacted, etc.,* That hereafter there shall be in the sixth circuit four circuit judges, to be appointed and to have the powers, salary, and duties prescribed in section 118 of the Judicial Code, as amended.

The bill was reported to the Senate without amendment, ordered to a third reading, read the third time, and passed.

### RELIEF OF FARMERS

Mr. BLEASE. Mr. President, I ask unanimous consent to have printed in the RECORD certain excerpts from various publications relating to the subject of farm relief and the farm-loan system.

The VICE PRESIDENT. Without objection, it is so ordered.

The matter referred to is as follows:

[Editorial appearing in Cooperation Magazine, published by the Cooperative League, New York City.]

#### "RELIEVING" THE FARMER

Last year 2,000,000 people left the farms in the United States. More than half the population of this country is now living in towns and cities of more than 2,500 population. Only about one-fourth of the people are on the farms. The mortgages on the farms, unlike the people, are steadily increasing. The farms are slipping out of the hands of the farmers. The farmers are slipping away from the farms.

#### POLITICIANS STEAL BANKS FROM FARMER-OWNERS

All kinds of schemes to relieve the farmer have been promoted at Washington. And about the only thing he has been relieved of is his cash. The Federal farm loan act and the bureau which it created might have done the farmer good. But the whole machinery was turned over to the bankers, who now use it to do the farmers. The farmers have no control over the very act that was passed for them. In the meantime things with the farmers go from bad to worse.

#### GRANGE STANDS FOR PRIVATE OWNERSHIP OF ALL FARM ENTERPRISES

A most comprehensive plan has been developed by A. S. Goss, master of the Washington State Grange. Mr. Goss has taken his plan to Washington with a committee of the National Grange, which has endorsed it, to try to get it enacted into law. The National Grange has for many years been a bulwark of reactionary conservatism. The fact that this measure has come out of its last convention would indicate that the breath of a new life has been blown into it. It looks as though leaders who once were but the agents of the railroads are giving place to farmers of vision and capacity.

[Article appearing in Farm and Fireside, New York City]

#### WHAT THE FARM-LOAN SYSTEM NEEDS

(By Gertrude Mathews Shelby, New York writer and a careful student of cooperative credit, executive secretary of the national committee for cooperative banks)

[EDITOR'S NOTE.—We believe in the farm-loan system. We have not attacked it. We have merely called attention to policies and practices of the Federal board in Washington, which are clearly contrary to the letter and spirit of the farm loan act, which intended that management and control should be turned over to farmers.]

We continue to insist upon a fair trial of the cooperative features of the law. We hold that farm-loan associations should be strengthened, not eliminated; that they should govern the land banks and participate in making a new market for bonds, while not discarding the old market.

Cooperative marketing is proving highly useful. Genuine cooperative credit will do as much, and even more. (George Martin, editor.)

## DO SOMETHING CONSTRUCTIVE

Inasmuch as Farm and Fireside has unstintingly criticized the policies of the farm-loan system it is only just to farmers, to the Federal bureau, and to ourselves to offer in a wholly constructive spirit suggestions about the manner in which the situation may be remedied.

## SEPARATE FEDERAL LAND BANKS FROM INTERMEDIATE CREDIT BANKS—A DANGEROUS DUAL POLITICAL AND FARMER-OWNERSHIP COMBINATION

The farm loan and agricultural credits acts should be amended, we think, in the following particulars:

1. The 12 new intermediate credit banks should be immediately and completely separated from the 12 land banks, with which they are now linked. Why?

Intermediates are Government-owned; land banks are farmer-owned. With the same board governing both, a knock on the head intended for one might kill both. Their destinies should not be confused.

Besides that, land-bank boards are now "the little neck of the farm-loan bottle." Even when money is on hand to lend, service is slow partly because applications can not be handled fast enough. Their work should not have been further complicated. Intermediates loan on livestock and warehoused products, land banks on real estate. A full board of experts on each highly specialized type of risk is needed.

2. Nearly four millions of undivided surplus or profits are being withheld. The act should be amended to specify when and how each borrower can get his full share of profits on his stock. To deprive a stockholder of any part of this surplus is to deprive him of the advantages of cooperation.

## GET THE FARMER OUT OF DEBT:

After the required ample reserves are set aside, all earnings might be distributed annually. Or the interest rate might be lowered. The fairest plan for the farmer and safest for the system seems to us to be to apply earnings to shorten the term of loans—get the farmer out of debt quicker.

Also, upon repayment of a loan the law should require that it be retired at book value, not par, as now.

## FARMERS NEVER GIVEN BUSINESSLIKE ACCOUNT OF THEIR BANKS

3. Businesslike account of your own great banking system has never been made to farmer stockholders. No statement is businesslike which does not include a detailed profit, loss, and expenditure account.

## FARMER-OWNERS LIABLE FOR ALL LOSSES OF ALL LAND BANKS

4. Stockholders share in the gains of only their own land banks, but are liable to participate in the losses of all 12. Therefore the Federal board should be required to make available periodically a detailed report and statement of every bank in the system to any stockholder. Borrowers should be in a position to find out facts in full.

## LET FARMERS BE REPRESENTED BY MAJORITY CONTROL OF BANKS THEY NOW FULLY OWN AND FULLY ASSUME LIABILITIES OF

5. The control of land-bank boards should be restored to stockholders, now practically powerless to control policy. The original number of directors should be restored to nine, of whom stockholders should elect six. This was guaranteed when 250,000 farmers purchased stock.

(More than 400,000 farmers, or 150,000 more than required number, now own this stock.)

## OPERATE A GREAT SECRET CLAN OF FACT SUPPRESSION

6. The law by amendment should make it obligatory upon the board to publish for the use of stockholders a list of all associations and their directors. This information has been generally denied. Because the farmers' candidates in the recent elections did not have access to such lists those events were a farce. The law should require that up-to-date lists be distributed to directors of associations six months before each election, held every three years.

7. In some counties to discover the whereabouts of the farm-loan association requires a search warrant. What private business would fail to have its name in the telephone book and in the general directory? The law should require listing. If it has no office, the address of the official who conducts its business should be given.

PRIVATE BANKS HAVE THEIR MUTUAL, PROTECTIVE ASSOCIATIONS—WHY DOES FARM LOAN BOARD FEAR TO HAVE FARM-LOAN ASSOCIATIONS HAVE THEIR OWN ORGANIZATIONS FREE FROM FARM LOAN BOARD POLITICAL HAMSTRINGING AND HOG-TIED METHODS? IS THERE A REASON? THERE IS—THEY FEAR THAT SUCH A MOVEMENT WOULD SOON END THEIR UNFAIR AND UNJUST POLITICAL DOMINATION OF THAT WHICH THE FARMER NOW OWNS, AND THE END OF THEIR POLITICAL IRON-HAND RULE

The indisputable right of farm-loan associations to federate independently, without hindrance or dictation from land banks or Government bureaus, should be clearly established by an amendment. Had voluntary federation not been forbidden the associations, it would have been well-nigh impossible for politicians to control the land banks all these years. Real cooperation can not be ordered as a woman orders cheese from a store. Men must know each other well to choose officers, decide upon policy with restraint or regulation, and live up to common responsibility.

THESE POLITICAL BANKERS ARE THE ONLY ONES WHO ENJOY A "FREE BUGGY RIDE" AT THE EXPENSE OF THE OWNERS—ALL OTHERS PAY THEIR OWN EXPENSES—UNFAIR TREATMENT ACCORDED FARMER-OWNERS

The provision which requires land banks to pay the expenses of the Farm Loan Bureau of the Treasury Department out of the earnings on farmers' loans is unjust and should be repealed. National and Federal reserve banks do not pay expenses of similar bureaus.

THE FARM LOAN BOARD IS A GOVERNMENT UNTO ITSELF—SHOULD BE MADE RESPONSIBLE TO SOME ONE IN AUTHORITY TO REPRESENT THE PEOPLE AND REMOVED FROM PRESENT PETTY POLITICAL PLUNDERING

The Federal bureau is practically responsible to no authority. It should be made responsible to the Secretary of the Treasury and to the Director of the Federal Budget. The bureau now asks Congress for whatever appropriation it wants. If Congress votes the money, land banks will refund the amount to the Treasury. Because no Government funds are being spent, no check upon expenditures is probable. The door is open to wastefulness and exploitation.

POLITICS HAS CREPT INTO ITS ACTIVITIES—PUT EMPLOYEES UNDER CIVIL SERVICE AND REMOVE THEM FROM PETTY POLITICS

Political and personal patronage has crept into the system. To eradicate it, the act should be amended to place all employees of the board, including appraisers, under civil service.

THERE ARE SIX TOO MANY "BOB-TAILED" MEMBERS OF THE FARM LOAN BOARD—ONE HONEST SUPERVISOR ALL THAT IS NEEDED

To promote efficiency and heighten accountability we recommend reducing the Federal Farm Loan Bureau to one responsible official, who should be farm loan commissioner under the authority of the Secretary of the Treasury. "Bob-tailed commissions" grow slack. When something is found wrong it's nobody's fault. A single commissioner who understands and believes in genuinely cooperative credit is better than six mortgage specialists.

## STRENGTHEN THE LOCAL FARM-LOAN ASSOCIATIONS

Demand that your farm-loan associations be strengthened. In this lies the great hope of farmers. Amendment of the law which will permit secretary-treasurers, after loans reach a stated total, to receive reasonable compensation for making collections and performing other duties is one practical step. Arguing that secretary-treasurers would not do this now unpaid work properly, the bureau refused to permit associations to make their own collections, etc.

## FARM LOAN BOARD TREATS FARMERS' ASSOCIATION UNFAIRLY AND UNJUSTLY

The Federal bureau has consistently treated the association as though it were a vermiform appendix of the system—quite useless. It has repeatedly backed legislation to remove it under guise of arranging for "voluntary liquidation." The last Congress refused because the association's appraisal and indorsement of loans adds to the security behind the bonds. The law made the associations responsible for collections for two reasons: (a) To save money. (b) By prompt attendance to any delinquency before it becomes a default the association could often prevent loss. When defaults occur, the association as a whole must make good the sum. The secretary-treasurer, knowing personally borrower, property, and circumstances is obviously the best man to act.

## BANKER POLITICIANS SERVE FARMERS—SHOULD BE REPLACED BY ACTUAL FARMER REPRESENTATIVES

Secretary-treasurers imbued with the spirit of cooperation do not balk full performance of their duties. Nevertheless, more efficient service might be secured if the work were paid for. Those in a position to know state that three-quarters of the secretary-treasurers are not imbued with the cooperative ideal of the system, the majority being bankers or country lawyers formerly or now engaged in private mortgage business. If so, stockholders should clean house. By the right sort of secretary-treasurers associations may readily be developed into strong, effective community agencies. The maximum income secretary-treasurers can now make is about \$2,500 a year; the average is less than half, and the minimum can't be seen with the naked eye.

## OPEN UP THE FARM-LOAN BOND SALES—LET EVERY BUYER HAVE A CHANCE INSTEAD OF A BANKER CLIQUE IN NEW YORK

14. Without disturbing present arrangements for the sale of bonds on the market now absorbing them (to secure the funds to loan farmers) provisions should be added to the law which would give everybody a chance to buy these securities and insure a steady expansion of the system.

Now bonds are issued only several times a year. Rich investors get them. They are practically all held east of Lake Erie. No general market has been developed. Small investors must have money available at precisely the moment the issue is out to get a smell of them.

Congress should place upon land banks and the bureau unmistakable responsibility to cultivate the widest possible market for bonds to secure the money to loan.

(a) Bonds should be on sale every day in the year.



(b) They should be widely advertised, until they become as well known as the soap that floats or the cigarette that satisfies.

(c) Secretary-treasurers should be empowered to sell these bonds and collect the commissions. Borrowers now have the right under the law, when for lack of funds their applications can not be granted by the land bank, to take their loans in bonds instead of in cash. Not many would have time or would want to sell these bonds. Secretary-treasurers, however, if permitted, might readily sell them. The old difficulty of finding farm-mortgage money was due partly to the necessity of finding a man with exactly the needed amount. Farm-loan bonds, in denominations of \$25, \$40, and \$100 allow the loan to be split up between any number of purchasers.

Land banks should stand behind the bonds to prevent speculative variation in price.

The amount sold should be added to the quota allotted by the land bank to the association from the general sale of bonds. Forty-seven hundred secretary-treasurers would make a real sales force if trained, and the office would then become a position with fine prospects in it for a "live wire." Rubber and oil-stock salesmen can testify to the amount of money for investment in small towns and country districts. If money made in agricultural regions is kept there, the farmers' dependence on the traditional money center will be lessened and in time an independent financial system built up.

#### BIG BANKERS HAVE HYSTERICS IF DEPRIVED OF THEIR "RAKE-OFF"

The only people who would be sad are those financiers who privately have hysterics at the mere idea of anybody's money being handled without their getting the accustomed rake-off.

#### FARM LOAN BOARD IGNORES WILL AND RIGHTS OF THE FARMER-OWNERS OF THE 12 FEDERAL LAND BANKS—TOO PREPOSTEROUS TO BE PERPETUATED LONGER

The Federal Farm Loan Bureau should be legally confined to the reasonable duties of a department of the Treasury, to functions which are supervisory only. The spectacle of 12 privately owned banks being run by politicians who can ignore the will of stockholders, treat them arbitrarily, and get away with it is too preposterous to be perpetuated.

#### RESTRICT THE FARM LOAN BOARD TO ITS OWN BUSINESS AND PERMIT PRIVATE OWNERSHIP AND MANAGEMENT TO THRIVE INSTEAD OF BEING STIFLED BY POLITICAL PLUNDERERS

The bureau's main functions should be: (a) To see that mortgages in every way comply with the requirements laid down by the law, particularly that they do not exceed 50 per cent of the value of the property; (b) that bonds are properly issued; (c) that reserves are set aside by associations and banks as prescribed; (d) that investments are of required character; (e) that funds are accumulated to pay interest and retire bonds when due; (f) to maintain a campaign of education upon cooperative credit.

#### FARM LOAN BOARD GUILTY OF USURPATION OF PEOPLE'S RIGHTS—NEED OF DECENTRALIZATION OF THE PRESENT POLITICAL BANKING SYSTEM—LET THE PEOPLE RULE

It is usurpation of rights clearly belonging to stockholder-borrowers for the bureau to determine all policies. It must now approve every appointment. No wonder it is possible indirectly to run the whole system. Its domination, tolerable in the infancy of the land banks, would long ago have been limited if elections had been held as prescribed in the original act. The agricultural credits law extended the bureau's control. These provisions should be repealed, the system decentralized, and the board's power decidedly diminished.

[Reprinted from article appearing in The Nation, New York City]

#### THE POLITICIANS BETRAY THE FARMER

By Gertrude Mathews Shelby

The mortgage on the old farm, in billion-dollar bulk, has become national drama. Three hundred thousand farmers own 12 great district land banks of the billion-dollar farm-loan system. They subscribed forty-five millions of capital stock, but have been deprived of their right, guaranteed by the farm loan act, to manage and operate their property.

#### OFFERS GREATEST SYSTEM FOR POLITICAL PLUNDER IN COUNTRY

Why? Partly because the system offers to politicians the greatest patronage outside of the civil service, coupled with the ability to lend two hundred to three hundred millions a year, and partly because of a bureaucrat at the head of the Federal Farm Loan Board. But most important, a fundamental new power was given to our people by the farm loan act, a power financiers greatly feared, whereby agriculture could create and control its own credit pool. If agriculture made a success of the exercise of that right, other workers could justly demand it. The concentration of money might be menaced.

#### HOW THE FARM LOAN BOARD HANDLED \$881,000,000 WITHOUT ANY BOOKS

Naturally a dramatic struggle is on. Sidelines of it appeared in a little-noticed investigation of Congress last session, and a new and more searching inquiry will possibly be demanded this winter. How the Federal Farm Loan Board did business was shown by indisputable

testimony that the board had kept no books on transactions of eight hundred and eighty-one millions.

"It recently took the Treasury Department, employing 10 accountants, and working double shifts, from March 12 to about May 1, or nearly seven weeks, to compile a mere statement of receipts and expenditures from the Farm Board records," said Senator HOWELL to his colleagues. "Moreover, the accountant in charge of this work testified that he would have been unable to make up the statement from the records afforded him without the aid of the memories of several of the employees of the board."

#### ILLEGAL DIVERSION OF TREASURY FUNDS INTO "HIDDEN" BANK ACCOUNT

It was charged also that the board had removed \$43,000 from the Treasury without authority, disbursing it without vouchers or receipts upon checks signed only by the Farm Loan Commissioner, first Charles E. Lobdell, later R. A. Cooper. Upon this, too, no books were kept.

#### ITEMS DISALLOWED BY COMPTROLLER GENERAL PAID BY BOARD MEMBERS

What was done with the money? Items disallowed by the Comptroller General were paid from it. Traveling expenses and extra salaries were paid. Presents were made to employees. Lobdell, who had become the beneficiary of a salary of \$25,000, not authorized by the act, plus \$15,000 more for expenses, had received his monthly stipend from this account, unknown to the Comptroller General.

#### SENATOR EDWARDS CALLS IT "ACCOUNT JUGGLING"

Senator EDWARDS has declared that "accounts were juggled." Nepotism of the worst sort existed.

#### LOBDELL LOVES TO HIRE DRESSMAKERS AS CLERKS

Lobdell employed two sons, another relative, an old friend, his wife's former dressmaker (as statistician of the board), and as secretary his wife's former dressmaker's nephew.

#### SENATOR HOWELL MAKES SERIOUS CHARGES—"MISAPPROPRIATION OF FUNDS"—CALLS FOR INVESTIGATION

Senator HOWELL made six serious charges on the floor of Congress, including "misappropriation of funds," and put in a resolution of investigation, still pending.

That is one reason why the Progressive platform (1924) carried a plank demanding reconstruction of the farm loan system and indorsing cooperative banking. That is why also certain conservative Democratic and Republican Congressmen have put in bills to accomplish the same end.

There is nothing really more human than the aspiration and pain represented by mortgages. They tell the tale of the struggle of men for homes, for land. From the era of the covered wagon till now men have had to depend on funds obtained on security of their land to start or to stock farms, to carry on through bad crops or general depression. Little farmers, wanting small loans, always suffered most from the mortgage sharks. They got the worst terms. They constitute the bulk of the pitiful flood of bankrupt farmers to-day, a scandalous reflection on both our land and credit policies.

#### FARMERS HAVE PAID FOR THE BANKS—WHY ARE THEY DEPRIVED OF RIGHTS?

The farm loan act was our first Federal law to encourage banks of the people for use, not profit. Providing a workable method for securing large funds at low cost by issuing bonds against the farm lands on which loans were made, it granted farmers the right to make themselves independent of existing financial pools. Congress advanced \$9,000,000 to start 12 land banks. This is now practically all repaid out of earnings. Farmers who borrowed were required to purchase stock to 5 per cent of the amount of their loans. Furnishing the capital, they were endowed with the right to control the management of all 12 land banks, electing the majority of directors. This they have never been permitted to do. In these land-bank boards was vested power to issue and to sell, in whatever manner they saw fit, together or separately, tax-exempt bonds.

#### WALL STREET BANKERS' CLIQUE CONTROL SALE OF BONDS WHILE LOBDELL DRAWS DOWN A FAT SALARY AND HIGH EXPENSES (TO DRESSMAKERS?)

Selling the bonds is the key power of the system. That is the crux of the present complicated drama. The Federal Farm Loan Board usurped that power, and gave the bond sale over exclusively into the hands of the very group whose interest it was to keep financial power centralized.

A syndicate of six bond houses has had this lucrative business. It is composed of Brown Bros., Harris Forbes & Co., Lee Higginson & Co., the National City Co., the Guaranty Trust Co., and Alexander Brown & Sons, of Baltimore. The amount and time of farm-loan bonds issued have practically been determined by counsel with their agents. That, of course, offers practical if not direct control over how much money agriculture shall receive through this channel. Instead of allowing farmers to decentralize credit the Federal Farm Loan Board, usurping powers in the last analysis belonging to stockholders, hogtied them to the same financiers from whom they were to escape if they chose.

**FARMERS, NOT POLITICIANS, HAVE MONEY AND LAND AT STAKE—LET THEM RUN THEIR OWN BUSINESS FREE FROM POLITICAL DOMINATION**

A word about the structure of this system. The act provided that 10 or more farmers who wanted loans should organize cooperatively a national farm-loan association ("national" only in that there would be others all over the land). There are now 4,500 of these purely local groups. Certain of them have done a million-dollar business each. When such an association received its charter Government appraisers visited the land, recommending to the land bank allowance or rejection of loans. Farmers who got loans took stock in the land bank of their district—for example, Spokane, or Springfield (Mass.), or New Orleans. The associations had to indorse every loan, enhancing the security behind the bonds. All associations are liable to twice the value of their stock (\$130,000,000) for losses of their own land bank, and each bank is liable for the losses of every other.

**"FEDERAL" IN NAME ONLY—IT IS REALLY THE FARMERS' OWN SYSTEM, BUT FARM-LOAN BOARD DENIES THIS FUNDAMENTAL FACT AND WOULD HAVE THE WORLD BELIEVE THAT THEY, THE POLITICIANS, OWN IT**

A huge chain. Although called the Federal farm loan system, it never was Federal. It is the farmers' own, but the Federal Farm Loan Board has given them scant encouragement to think so. Within a year after the system was started in 1917 the farmers had met all requirements to take over management of the banks.

**NO ELECTIONS HELD BY FARM LOAN BOARD AS DEMANDED IN FARM LOAN ACT—BOARD NEGLECTS TO DO ITS LEGAL DUTY BY FARMERS**

But no elections were called. The Federal Farm Loan Board, announcing itself in its first report as opposed to control of banks by borrowers (the farmer owners)—although the first premise of the act the board was intrusted to administer, but that the farmer stockholders and owners should operate their own land banks—proceeded to override the law and to usurp vital functions. To prevent farmers from demanding control, using the plausible excuse that they took the action to protect bond buyers and also to promote the sale of Liberty bonds then being issued, the board secured an amendment deferring elections.

**FARMERS DID NOT KNOW WHAT HAD HAPPENED UNTIL AFTER THEY HAD BEEN ROBBED BY POLITICIANS—FARM LOAN BOARD REFUSED TO EVEN LET FARMER OWNERS SEND \$10 TO PROTECT THEMSELVES FROM THIEVES OF WASHINGTON CLIQUE**

No explanations were vouchsafed. Farmers did not know what had happened to them until several years later. No elections being held, stockholders protested. Some of them tried to organize to protect themselves. Two Attorneys General refused to allow them to use even \$10 a year of association funds to support a federation. (Infamous and shady Harry Daugherty was one of these! "Birds of a feather flock together!" No further comment necessary.)

**THE STRONG BILL WAS PLAIN BETRAYAL OF PUBLIC TRUST BECAUSE IT LEGALIZED USURPATION OF POWER AND BANISHED HOPE OF PROPERTY OWNERS TO ASSERT THEIR CONSTITUTIONAL RIGHTS**

In 1923 the Federal Farm Loan Board wrote and obtained from Congress a revision and emasculation of the original farm loan act by means of the Strong bill. Its provisions were a betrayal of public trust, stultifying the purposes of the original act, legalizing the usurpation of power by the board, and banishing the hope of the farmer stockholders to regain control of their property.

**SENATE PASSES VITAL LAW WITHOUT CONSIDERATION—DISGRACEFUL LAST-MINUTE TRICK**

Without being considered by the Senate at all it became law. In the disgraceful last-minute legislative jam its sponsors slipped the bill into the composite intermediate credits act, between two measures the Senate had separately passed. Without discussion, without a reading of the bill or the conference report, it became law.

**SENATOR FLETCHER CALLS PROVISION "CONFISCATION OF FARMERS' PROPERTY AND RIGHTS TO CONTROL THEIR OWN PROPERTY"**

According to Senator FLETCHER (long friend of the farmers' land-bank system), this amendment confiscated the farmers' rights to control their own property. It reduced farmers' elected representation on each land-bank board to a minority. Thus uninterrupted continuation of the bond-selling policy was made probable, for the old land-bank boards were perpetuated in power. This legislation destroyed the promise of decentralization of land credit; it should be repealed.

**FARMER OWNERS DEPRIVED OF RIGHT TO OPERATE THE BANKS THEY HAD BOUGHT AND FULLY PAID FOR—POLITICIANS WITHOUT ONE CENT AT STAKE DO ALL THE BOSSING AND RUN UP ALL THE BILLS FOR THE FARMERS TO PAY**

Not until the first elections held in seven years occurred could the stockholders fairly measure the seriousness of what had happened. Then they discovered that they had been deprived of their last chance to affect policy, improve service, eradicate policies, reduce their own interest rate—higher than offered by private companies not enjoying

tax exemption—or secure the return of several millions of undivided profits held up from year to year. They found the entire system in the hands of politicians with not one cent at stake!

**LOBDELL OVERREACHES HIMSELF IN SALARY-GRABBING CAMPAIGN—SENATORS BECOME CURIOUS AS RESULT OF POLITICAL PILLAGE**

If salaries had not been raised throughout the land banks, and Lobdell had not overreached himself grabbing for salary and place, the stockholders' protests might have availed them nothing. But certain Senators became curious, and finding facts impossible to ascertain put several resolutions through the Senate which forced continued hearings before the Banking and Currency Committee.

**UNFAIR AMENDMENT SADDLED ENTIRE EXPENSE ON FARMERS WHICH IS CONTRACTED BY POLITICIANS—UNPRECEDENTED TREATMENT OF AMERICAN PROPERTY OWNERS**

The new legislation put the entire expenses of the Federal Farm Loan Board, a bureau of the Treasury, on the farmers' backs—an unprecedented arrangement; National and Federal reserve banks do not pay the cost of their bureaus. Two new \$10,000 memberships were added to the board. Senator BORAH objected to this, charging the two places had been added as a matter of "political expediency." The board, although on record that it was large enough to take care of the work, now declared the new members necessary.

**FARMERS REPORT UNFAIR TREATMENT AND POOR SERVICE**

Farmers reported unfair practices and poor service; they demanded control of their own banks. Yet the Senate committee refused Senator HOWELL's request to call certain witnesses or go into the matter further. The appointments were confirmed!

**"PLACES MORE IMPORTANT THAN PRINCIPLES," SAID SENATOR NORRIS**

"Case of places being more important than principles," commented Senator NORRIS, of Nebraska.

Places! "The system has become a political annex and pie-counter," wrote a stockholder.

**POLITICAL PHASE OF POLITICAL BANKS THREATENS EVERY VOTER—PATRONAGE CLAMORED FOR BY POLITICIANS—HENCHMEN THRIVE OFF FARMER HELD DOWN BY TRICK OF CONGRESS IN TAKING AWAY FROM RIGHTFUL OWNERS THEIR RIGHTS TO MANAGE THEIR OWN LAND BANKS**

The political phase of these dull-sounding agricultural banks now threatens if it does not already affect every voter. Remember that this system which lends hundreds of millions a year is wholly in the hands of hundreds of political stockholders. These hundreds of jobs constitute a patronage naturally clamored for by politicians. Then suppose Congressmen become greedy to secure the largest share of loans for their districts. If loyal henchmen or relatives are appointed as officers of the land banks and appraisers, discrimination among loans applied for is very easy. Associations, even States, complain that they can not get applications approved. Concentration of loans in others is reported.

**QUALIFICATIONS OF POLITICAL APPRAISER DUBIOUS—TRAVEL AROUND AT FARMERS' EXPENSE—MAKE IDEAL ELECTIONEERING GANG**

Consider another phase: Appraisers number several hundred. Having to pass no civil-service examinations, and being politically appointed, their qualifications are often most dubious. In each land-bank district there are 60 to 70 who go constantly, at the farmers' expense, from place to place. What an ideal electioneering force!

**LOBDELL FORCED TO PUT MONEY BACK INTO THE TREASURY—FORCED TO START KEEPING BOOKS BY OUTSIDE ACTION**

The net improvement in the situation as a result of the Senate hearing (on Senator HOWELL's complaint) was: A large amount of information was obtained; accretions to the irregular account in the Franklin National Bank were stopped by the Secretary of the Treasury and at least a partial refund was demanded; the fiscal agent (Lobdell) began to keep books!

**STOCKHOLDING FARMERS WANT TO CONTROL THAT WHICH THEY NOW OWN—WANT ERADICATION OF POLITICAL ABUSES**

For the future these are the main demands made by farmers: Stockholders want control of their own property and freedom to decentralize credit. They believe preferential or exclusive contracts should be refused to any bond-selling agency. They desire a broadened market for bonds, lower interest, and returns of surplus. They ask that the right of farm-loan associations to support a federation out of their own funds be recognized. They demand production by the Federal Farm Loan Board of public information now systematically withheld even from the stockholders who own the 12 district land banks. They hope for eradication of political abuses by putting the system under civil service.

**IF FEDERAL GOVERNMENT IS HONORABLY TO FULFILL PROMISES TO FARMERS CONGRESS MUST IMMEDIATELY PUT THESE DEMANDS INTO ACTION**

If the Federal Government is honorably to make good its promise to agriculture of independence through a cooperative credit system these issues must be met. This kind of credit presents genuine advantages over the old system, where the poorest farmers were the victims of



usurious loan rates. It is especially built up to serve all sections—not the "best territory"—like private joint-stock land banks. Ultimately, by "loans at cost and loans that never come due" (repaid in regular installments), the farmers will get out of debt.

**GIGANTIC MORTGAGE INDEBTEDNESS PRESSES DOWN ON FARMER—IT IS A SOCIAL QUESTION TO RELIEVE THE FARMER OF THIS BURDEN**

With more than \$11,000,000,000 of mortgage indebtedness bearing down on agriculture, that's a social question. To protect and perfect the Federal farm-loan system is a necessity if it were not plain justice.

[Extract from letter from farmer-owner of land-banking system deprived of his property rights by tricks of Harding-Coolidge administration]

"LET IT GO OVER!"

On page 7742 of the CONGRESSIONAL RECORD, in reporting the presentation by Senator COLE L. BLEASE of a resolution to demand that Secretary of the Treasury immediately release the annual report of the Farm Loan Board—which he has been suppressing and withholding for nearly five months—certain Senators shouted "Let it go over!"

That was purely a statesmanshiplike action—"Let it go over!" These politicians will soon infest the various States with a message of "What we did for (should be "to") you dear farmers." The answer to that should be shouted from every seat—"Let it go over!" In fact, the further "over" it goes the better for farmers—so far as supporting at the election ballot box of politicians so craven as to desire to let pass the foul and dishonest treatment accorded farmer-owners of the 12 district Federal land banks by the present political pillage crew that has securely fastened its claws upon the political pork of the great farmer-owner land-bank system, and refuse to let go, allowing these farmer property owners of their simple rights and privileges as American citizens, instead of slaves in some Province of red Russia.

"Let it go over!"

And if Senator CHARLES CURTIS were one-tenth as much interested in the welfare of the farmers as he apparently was when he protested, when Senator BLEASE offered the resolution to release the annual report which Mellon now withholds, and said, "I think it unfair to the Secretary," etc., etc., the same Republican whip of the Senate would long since have rounded up the necessary votes to put the land banks into the hands of the rightful owners, which the same Senator CURTIS long since testified was the way it should have been done in the first place.

But the battle cry of the Coolidge administration now is "Let it go over!" Along next November millions of American voters will let it go over—to the Democrats who have them, first, a farmer-owned land-bank plan, which was pillaged away from them by dishonest Ohio politicians at the time Daugherty, Sinclair, Fall, and company were in the saddle.

"Let it go over!"

#### CALL OF THE ROLL

Mr. HARRISON. I now yield to the Senator from Kansas.

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Edwards	Keyes	Sackett
Barkley	Fess	King	Schall
Bayard	Fletcher	La Follette	Sheppard
Bingham	Frazier	Locher	Shipstead
Black	George	McKellar	Shortridge
Blaine	Gerry	McLean	Simmons
Bleake	Gillett	McNary	Smoot
Borah	Glass	Mayfield	Steiwer
Bratton	Goff	Metcalf	Stephens
Brookhart	Gooding	Moses	Swanson
Broussard	Gould	Neely	Thomas
Bruce	Greene	Norbeck	Tydings
Capper	Hale	Norris	Tyson
Copeland	Harris	Nye	Vandenberg
Couzens	Harrison	Overman	Walsh, Mass.
Curtis	Hawes	Phipps	Walsh, Mont.
Cutting	Hayden	Pine	Warren
Dale	Heflin	Pittman	Waterman
Deneen	Howell	Ransdell	Wheeler
Dill	Johnson	Reed, Pa.	
Edge	Kendrick	Robinson, Ark.	

Mr. NORBECK. I desire to announce that my colleague the junior Senator from South Dakota [Mr. McMASTER] is absent on official business. I ask that this announcement may stand for the day.

Mr. GERRY. I desire to announce that the Senator from New York [Mr. WAGNER] is necessarily detained from the Senate, being in attendance upon the funeral of the late Representative Sweet, of New York.

I also wish to announce that the Senator from South Carolina [Mr. SMITH] is detained from the Senate by illness.

The VICE PRESIDENT. Eighty-two Senators having answered to their names, a quorum is present. The question is on agreeing to the amendment of the Senator from Maryland [Mr. TYDINGS] to the farmers' produce market bill.

Mr. HARRISON. Mr. President, am I to understand that the market bill is before the Senate?

The VICE PRESIDENT. It is before the Senate.

Mr. SMOOT. The market bill was taken up by unanimous consent, was it not?

The VICE PRESIDENT. It was.

Mr. SMOOT. I ask for the regular order.

The VICE PRESIDENT. The regular order is Senate bill 728, the Boulder Dam bill.

Mr. SMOOT. I am perfectly aware of it, and I ask the Senator from California [Mr. JOHNSON] to lay it aside temporarily.

The VICE PRESIDENT. The Chair lays before the Senate the unfinished business, which is Senate bill 728, the Boulder Dam bill.

Mr. JOHNSON. I ask unanimous consent that the unfinished business may be temporarily laid aside and that the Senate proceed to the consideration of House bill 1, the tax reduction bill.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

#### PETITIONS

Mr. EDGE presented a resolution adopted by the board of commissioners, of Passaic, N. J., favoring prompt action by the United States Tariff Commission in investigating relative to the hand-machine embroidery industry to the end that relief may be obtained by those engaged in that industry in Passaic and vicinity as soon as possible, which was referred to the Committee on Finance.

Mr. LOCHER. Mr. President, I send to the desk a couple of telegrams which I ask may be printed in the RECORD and lie on the table.

There being no objection, the telegrams were ordered to lie on the table and to be printed in the RECORD, as follows:

COLUMBUS, OHIO, May 3, 1928.

Hon. CYRUS LOCHER,

Senat Office Building, Washington, D. C.:

Ohio physicians in session at eighty-second annual meeting officially protest against increase in Harrison narcotic tax and respectfully urge provision in revenue act for deduction of expenses incurred in attending scientific meetings.

OHIO STATE MEDICAL ASSOCIATION,

DON K. MARTIN,

Executive Secretary.

COLUMBUS, OHIO, May 4, 1928.

Hon. CYRUS LOCHER,

United States Senate, Washington, D. C.:

Approximately 35,000 members American Dental Association consider professional groups discriminated against by not permitting deductions of expenses attending professional meetings from income under present regulations. Therefore we solicit your support of Robinson amendment to revenue bill. Further, narcotic law is for public protection, and why place expense of operation upon the professions loyally cooperating at great inconvenience through keeping records. Thus we trust you will vote against any narcotic-tax increase. Please send copy Senate revenue bill.

Dr. HOMER C. BROWN,

Chairman Legislative Committee, A. D. A.,

Hartman Building.

#### REPORTS OF COMMITTEES

Mr. LA FOLLETTE, from the Committee on Post Offices and Post Roads, to which was referred the bill (S. 3281) to provide a shorter workday on Saturday for postal employees, reported it without amendment and submitted a report (No. 990) thereon.

Mr. FRAZIER, from the Committee on Post Offices and Post Roads, to which was referred the bill (S. 3127) to amend section 217, as amended, of the act entitled "An act to codify, revise, and amend the penal laws of the United States," approved March 4, 1909, reported it without amendment and submitted a report (No. 991) thereon.

Mr. BLEASE, from the Committee on Post Offices and Post Roads, to which was referred the bill (S. 3328) to amend title 39, the Postal Service, Chapter II, section 32, the Code of Laws of the United States of America in force December 6, 1926 (vol. 44, Pt. I, U. S. Stat. L.), reported it without amendment and submitted a report (No. 992) thereon.

Mr. MOSES, from the Committee on Post Offices and Post Roads, to which was referred the bill (S. 2751) to amend section 213, act of March 4, 1909 (Criminal Code, title 18, sec. 336, U. S. C.), affixing penalties for use of mails in connection with fraudulent devices and lottery paraphernalia, reported it with amendments and submitted a report (No. 994) thereon.

He also, from the same committee, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

A bill (S. 1900) to provide for the construction of a post road and military highway from a point on or near the Atlantic coast to a point on or near the Pacific coast, and for other purposes (Rept. No. 999); and

A bill (S. 3890) to amend section 5 of the act entitled "An act making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1921, and for other purposes" (Rept. No. 1000).

Mr. BLAINE, from the Committee on the District of Columbia, to which was referred the bill (S. 4124) to provide for notice to owners of land assessed for benefits by the verdict of condemnation juries in the District of Columbia, and for other purposes, reported it with amendments and submitted a report (No. 993) thereon.

Mr. CAPPER, from the Committee on the District of Columbia, to which was referred the bill (S. 3902) to provide books and educational supplies free of charge to pupils of the public schools of the District of Columbia, reported it without amendment and submitted a report (No. 997) thereon.

Mr. SACKETT, from the Committee on the District of Columbia, to which was referred the bill (S. 4126) authorizing the National Capital Park and Planning Commission to acquire rights in land, and to lease land or existing buildings for limited periods in certain instances, reported it with amendments and submitted a report (No. 1003) thereon.

Mr. BLACK, from the Committee on Claims, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

A bill (S. 3525) for the relief of A. M. Thomas (Rept. No. 995); and

A bill (H. R. 11960) for the relief of D. George Shorten (Rept. No. 996).

Mr. SHORTRIDGE, from the Committee on Naval Affairs, to which was referred the bill (S. 3692) to amend the act entitled "An act to readjust the pay and allowances of the commissioned and enlisted personnel of the Army, Navy, Marine Corps, Coast Guard, Coast and Geodetic Survey, and Public Health Service," approved June 10, 1922, as amended, reported it with amendments and submitted a report (No. 998) thereon.

Mr. PINE, from the Committee on Military Affairs, to which was referred the bill (H. R. 3467) for the relief of Giles Gordon reported it without amendment and submitted a report (No. 1002) thereon.

Mr. BINGHAM, from the Committee on Military Affairs, to which were referred the following bills, reported adversely thereon:

A bill (S. 3210) providing for the men who served with the American Expeditionary Forces in Europe as engineer field clerks the status of Army field clerk and field clerk, Quartermaster Corps, of the United States Army when honorably discharged; and

A bill (H. R. 8778) for the relief of William W. Woodruff.

#### BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. ROBINSON of Arkansas:

A bill (S. 4344) granting the consent of Congress to the State Highway Commission of Arkansas to construct, maintain, and operate a bridge across White River near Clarendon, Ark.; to the Committee on Commerce.

By Mr. CAPPER:

A bill (S. 4345) authorizing the Interstate Bridge Co., its successors and assigns, to construct, maintain, and operate a bridge across the Missouri River at or near Kansas City, Kans.; to the Committee on Commerce.

By Mr. FRAZIER:

(By request.) A bill (S. 4346) to authorize an appropriation for the purchase of certain privately owned land within the Fort Apache Indian Reservation, Ariz.; to the Committee on Indian Affairs.

A bill (S. 4347) granting an increase of pension to Laura L. Hammond (with accompanying papers); to the Committee on Pensions.

By Mr. McNARY:

A bill (S. 4348) granting a pension to Maria Maryatt Maxwell; to the Committee on Pensions.

By Mr. NEELY:

A bill (S. 4349) granting a pension to Mary M. Reynolds; to the Committee on Pensions.

By Mr. HALE:

A bill (S. 4350) granting an increase of pension to Mary I. Gatley (with accompanying papers); to the Committee on Pensions.

By Mr. DALE:

A bill (S. 4351) granting an increase of pension to Etta McLoud (with accompanying papers); to the Committee on Pensions.

By Mr. SHORTRIDGE:

A bill (S. 4352) for the relief of James R. Kiernan; to the Committee on Military Affairs.

By Mr. GOFF:

A bill (S. 4353) authorizing Huntington Clarksburg Bridge Co., its successors and assigns, to construct, maintain, and operate a bridge across the Great Kanawha River at a point at or near Winfield, Putnam County, W. Va.; to the Committee on Commerce.

By Mr. REED of Pennsylvania:

A bill (S. 4354) for the relief of Atlantic Refining Co., a corporation of the State of Pennsylvania, owner of the American steamship *H. C. Folger*, against U. S. S. *Connecticut*; to the Committee on Claims.

#### AMENDMENTS TO TAX REDUCTION BILL

Mr. KING submitted an amendment, and Mr. COPELAND submitted two amendments, intended to be proposed by them to House bill 1, the tax reduction bill, which were ordered to lie on the table and to be printed.

#### CUSTOMS SERVICE EMPLOYEES

Mr. EDGE submitted an amendment intended to be proposed by him to the bill (S. 4075) to adjust the compensation of certain employees in the customs service, which was referred to the Committee on Finance and ordered to be printed.

#### AMENDMENT OF WORLD WAR ADJUSTED COMPENSATION ACT

Mr. BLACK submitted an amendment intended to be proposed by him to the bill (H. R. 10487) to amend the World War adjusted compensation act, as amended, which was referred to the Committee on Finance and ordered to be printed.

#### TAX REDUCTION

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 1) to reduce and equalize taxation, produce revenue, and for other purposes.

Mr. HEFLIN. Mr. President, a point of order.

The VICE PRESIDENT. The Senator will state the point of order.

Mr. HEFLIN. I make the point of order that the Senate is not in order. I can not hear what is going on in front of the Vice President's desk.

The VICE PRESIDENT. The Senate will be in order.

Mr. HEFLIN. Has the tax bill been laid before the Senate?

The VICE PRESIDENT. The tax bill has been laid before the Senate.

Mr. SMOOT. Mr. President, I desire to submit the following unanimous-consent request:

#### UNANIMOUS-CONSENT REQUEST

It is agreed by unanimous consent that when the Senate has completed its consideration of H. R. 1, the pending revenue bill, the Secretary be authorized—

(1) To make necessary changes in numbers and letters in all headings and subheadings and in any cross references thereto.

(2) To strike out or correct cross references that have become superfluous or erroneous, and to insert cross references made necessary or convenient, by reason of changes made by the Senate.

(3) Where amendments adopted to the bill do not conform in typography and indentation to the style of the bill as printed, to make such corrections as may be necessary to produce such conformity.

(4) To make such changes in the table of contents as are necessary to make it conform to the action of the Senate in the remainder of the bill.

Mr. ROBINSON of Arkansas. Mr. President, does the Senator propose to give the Secretary power to revise the bill after it has been passed by the Senate?

Mr. SMOOT. Oh, no. If this is not done, we shall have to act upon every solitary change in the bill. It has always been done in the past. It simply authorizes the Secretary, if we strike out a paragraph or section, to change the numbers of the succeeding paragraphs or sections. If we strike out a section, then every section of the bill thereafter has to be renumbered.

Mr. ROBINSON of Arkansas. Of course, there is no objection to giving the Secretary authority to make changes in the numbering of sections or paragraphs or to correct manifest typographical errors. Has the Senator submitted his request to the ranking minority member on the Finance Committee, the Senator from North Carolina [Mr. SIMMONS]?

Mr. SMOOT. No; I have not. It was handed to me in typewritten form just before I presented it.



Mr. ROBINSON of Arkansas. Then I suggest that the Senator let it go over until the Senator from North Carolina has had an opportunity to examine it.

Mr. SMOOT. Very well.

Mr. ROBINSON of Arkansas. Mr. President, I ask unanimous consent to have printed in the RECORD certain telegrams relating to the pending tax bill.

The VICE PRESIDENT. Without objection, it is so ordered. The telegrams referred to are as follows:

EL DORADO, ARK., May 2, 1928.

Senator JOE T. ROBINSON,

United States Senate, Washington, D. C.:

The Arkansas Medical Society, with a membership of exceeding 1,200, assembled in annual meeting at El Dorado to protest against the proposed increase in narcotic tax from \$1 to \$3. Furthermore, it is unfair to tax physicians, dentists, and druggists to cover expense, since the real benefit is to the laity and not to the profession.

WM. R. BATHURST, Secretary.

ELDORADO, ARK., May 4, 1928.

Senator J. T. ROBINSON,

Washington, D. C.:

This body urges your support of Robinson amendment correcting present discrimination against professional groups in not allowing income-tax deductions while attending professional and scientific meetings, also to oppose the proposed increase narcotic tax.

ARKANSAS DENTAL ASSOCIATION,  
H. J. CRUME, Secretary.

COLUMBUS, OHIO, May 3, 1928.

Hon. JOSEPH T. ROBINSON,

United States Senate, Washington, D. C.:

Approximately 35,000 members of American Dental Association consider that professional groups are discriminated against by not permitting deductions of expenses attending professional meetings from income reports under present regulations; therefore, we solicit your support of Robinson amendment to revenue bill. Further, the narcotic law is for public's protection, and why place expense of operation upon the professions loyally cooperating at great inconvenience through the keeping of records; thus we trust you will vote against any narcotic-tax increase.

Dr. HOMER C. BROWN,

Chairman Legislative Committee,  
American Dental Association, Hartman Building.

#### COTTON PRICE PREDICTIONS

Mr. HEFLIN. Mr. President, I ask unanimous consent for the present consideration of Senate bill 3845. I do not think there will be any objection to its consideration and passage.

Mr. CURTIS. Let the title of the bill be stated, Mr. President. The VICE PRESIDENT. The clerk will state the title of the bill.

The CHIEF CLERK. A bill (S. 3845) to prohibit predictions with respect to cotton or grain prices in any report, bulletin, or other publication issued by any department or other establishment in the executive branch of the Government.

Mr. HEFLIN. Mr. President, all references to grain have been stricken from the bill, and as it now stands it applies to nothing but cotton. Several days ago the Senator from Connecticut asked for time to examine the bill; the bill has been pending here for two weeks, and I take it that he will not object to it. I trust that he will not. The Senator from Maryland on yesterday asked that the bill go over. It is very necessary that the bill be passed. There is a provision in the agricultural appropriation bill to prevent price predictions as to cotton, and this bill provides a penalty if such a thing shall be done. A number of Senators asked me to introduce the bill, the committee has unanimously reported it, and it ought to be passed. I trust there will be no objection to it.

The VICE PRESIDENT. Is there objection to the present consideration of the bill?

Mr. BINGHAM. Mr. President, the Senator from Alabama is incorrect in stating that I asked that the bill go over.

Mr. HEFLIN. I meant to say that the Senator from Rhode Island [Mr. METCALF] asked that the bill go over.

Mr. METCALF. Mr. President, I think if the bill shall be considered it may take some time. I might want to make one of my long speeches on it. [Laughter.] I suggest that the bill had better go over for the time being.

Mr. HEFLIN. Mr. President, I desired to see who objected to the consideration of the bill. I myself am going to make a speech on it a little later on. I think a part of it will be of interest to the Senator from Rhode Island.

POST OFFICE AT PHILIPPI, W. VA.

Mr. NEELY. Mr. President, I ask unanimous consent for the immediate consideration of Calendar 1010, the bill (H. R.

10799) for the lease of land and the erection of a post office at Philippi, W. Va., and for other purposes.

The VICE PRESIDENT. Is there objection to the request of the Senator from West Virginia?

There being no objection, the Senate, as in Committee of the Whole, proceeded to consider the bill, which had been reported from the Committee on Public Buildings and Grounds with an amendment, on page 1, line 8, after the words "Postmaster General," insert the words "and by the Secretary of the Treasury," so as to make the bill read:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to (1) authorize the Philippi Improvement Co. to erect upon the lot of land at the corner of Main and Masons Streets in the city of Philippi, W. Va., a building to be used as a post office of a design, plan, and specification approved by the Postmaster General and by the Secretary of the Treasury, and (2) require of the Philippi Improvement Co. the execution of such bonds to the United States as are required of contractors for the erection of public buildings.

Sec. 2. That the Postmaster General is authorized and directed to lease such building from the Philippi Improvement Co. for a term of 10 years after its occupancy at an annual rental of one-tenth of the total cost of such building, plus taxes, and plus interest at 6 per cent upon the difference between the total cost of the building and the quarterly installments of rent already paid, not including interest or taxes, but in no case shall the total payments provided for by this section exceed \$52,600.

Sec. 3. That the expenses of such repairs, maintenance, and operation of the building as the Postmaster General may find necessary and proper during the period of the lease shall be borne by the Post Office Department.

Sec. 4. That upon the termination of the lease provided for in section 2, or upon payment by the Post Office Department at any time prior to the termination of such lease of the total cost of such building minus installments of rent already paid, such building shall become the property of the United States free and clear of all encumbrances.

Sec. 5. That there is authorized to be appropriated the amount necessary to pay the installments of rent provided for by section 2, and the expenses of repairs, maintenance, and operation provided for by section 3.

Mr. NEELY. Mr. President, two years ago the post-office building at Philippi, W. Va., was destroyed by fire. Ever since the mail for that office has been received and distributed in a small room of the Barbour County courthouse, which is destitute of every postal facility. The existing conditions are intolerably inconvenient for every patron of the office. The people of Philippi generously and patriotically propose, in pursuance of the provisions of this bill, to erect their own appropriate post-office building without subjecting the Government to any financial burden. The bill has been approved by the Post Office Department and by the proper committee of the Senate. In order to serve an extraordinary necessity the junior Senator from West Virginia [Mr. Goff] and I urge the Senate to pass this measure immediately.

Mr. GOFF. Mr. President, as my colleague has stated, we are very anxious to have the bill passed, and I hope it may be passed without delay.

The amendment was agreed to.

The bill was reported to the Senate as amended, and the amendment was concurred in.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

#### TAX REDUCTION

The Senate, as in Committee of the Whole, proceeded to consider the bill (H. R. 1) to reduce and equalize taxation, provide revenue, and for other purposes.

Mr. BINGHAM. Mr. President, I submit an amendment to the pending bill, which I ask may be printed and lie on the table.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. HARRISON. Mr. President, in the brief time during which I shall occupy the attention of the Senate this morning I desire to address myself to two propositions: One is the debt-retiring policy now being followed by the Treasury Department and the other is the estimates of the Treasury Department as to probable surpluses, because upon these two propositions rest the action of the Senate. The Treasury Department has stated that the Federal Treasury will stand for a cut in taxes of approximately \$200,000,000. The majority members of the Finance Committee have accepted the views of the Treasury Department; much of the partisan press of the country have accepted them, and some have been led to believe that the Congress ought to go to no greater extent than \$200,000,000 or \$210,000,000 in the reduction of taxes.

Mr. President, in its estimates the Treasury Department every year for the last seven years has been incorrect anywhere from \$100,000,000 to \$600,000,000.

For your benefit I wish to state that in 1922 the Treasury Department estimated a surplus of \$24,000,000, while there was an actual surplus of \$313,000,000; in 1923 the Treasury Department estimated a surplus of \$273,000,000, whereas the surplus grew to \$309,000,000; in 1924 the Treasury's estimate was \$329,000,000, while the actual surplus was \$505,000,000; in 1925 the estimate of the Treasury Department was a surplus of \$67,000,000, while the actual figures were \$250,000,000; in 1926 the Treasury estimate was \$262,000,000, while the actual figures were \$377,000,000; in 1927 the Treasury estimate was \$383,000,000, while the actual surplus was \$635,000,000. This year there is a surplus of more than \$400,000,000 in the Treasury. If the Treasury Department has been wrong in every instance for the last seven years, why should its estimate be accepted by us at this time as being conclusive?

When the 1921 revenue bill was under consideration the Treasury Department stated that it would stand for a reduction of \$372,000,000. That was the recommendation of the Secretary of the Treasury. That was all the Treasury Department said the Treasury would stand. Both Houses of Congress refused to accept that recommendation, and they cut the taxes by \$663,000,000; in other words, nearly \$300,000,000 more relief was given in that act to the American taxpayers than the Treasury Department recommended or said that it could stand. Yet, with that large reduction that year, there was piled up in the Treasury a surplus of \$313,000,000. The next year the surplus was \$309,000,000; and yet the distinguished chairman of the Committee on Finance says that the Treasury's estimate of \$200,000,000 at this time should be accepted as conclusive.

When the revenue act of 1924 was before Congress the Treasury Department recommended that a reduction of \$323,000,000 would be quite sufficient; that the condition of the Federal finances could stand no greater reduction than that. The Congress did not accept their recommendation and passed an act carrying a reduction of \$519,000,000, or nearly \$200,000,000 more than the Treasury said it would stand for. Yet, Mr. President, that year, despite that great reduction beyond the recommendation of the Treasury Department, there was piled up in the Treasury a surplus of \$505,000,000. The next year there was a surplus piled up of \$250,000,000. Yet the distinguished chairman of the Finance Committee and the majority members of that committee say we should accept this year without question the recommendations of the Treasury Department.

Mr. REED of Pennsylvania. Mr. President, will the Senator yield for a question?

Mr. HARRISON. Yes; I yield to the Senator from Pennsylvania.

Mr. REED of Pennsylvania. Is it not true that the estimates which the Senator is criticizing were all made before the assembling of Congress in each year when it was impossible to know what the receipts of the future two years would be, which were necessarily involved in the estimates for the ensuing fiscal year; and is it not a fact that the estimate upon which the Finance Committee has acted in this case was made after the receipt of the March 15 tax payments, which enabled this estimate to be made with a degree of certainty that has not extended to any of the other cases?

Mr. HARRISON. If the Senator will bide his time, I will get to that very proposition. May I say, however, that he is wholly mistaken?

Mr. REED of Pennsylvania. The Senator is going to answer my question, is he?

Mr. HARRISON. Yes; I am going to answer that question or any other question which the Senator wishes to propound to me. That is the same argument that was made when the 1921 revenue act was being considered; it is the same argument that was made in 1924; it is the same argument that was made in 1926. I propose to read from the 1926 statement of the Secretary of the Treasury, after the March 15 tax returns had come in, as the tax returns for March, 1928, have now come in, upon which the chairman of the committee bases his claims of accuracy and upon which the Senator from Pennsylvania bases his claims of accuracy, and show that in that instance the Treasury figures were wrong, and state the reasons why they were wrong.

I am not deceived, neither are the minority members of the Finance Committee deceived by the assertions of the Treasury Department that this time their statements are more correct than heretofore, because they sent out all over the country and asked the collectors of internal revenue to report immediately upon the returns of the big taxpayers, so that they could compile them quickly and base their estimates upon them.

Mr. President, there are thousands upon tens of thousands of taxpayers in America who pay only their first installment in March; there are thousands upon thousands of them who pay perhaps half, and, perhaps, just a few of them pay all the tax assessed against them. I submit that the situation is not different at this time as to forming conclusions upon the estimates of the Treasury from what it has been in the past. But the Senator from Pennsylvania, with his adroitness—and he is adroit; if there is anybody who could throw up a smoke screen and hoodwink the American people with reference to the fiscal policies of the administration it is the distinguished Senator from Pennsylvania—knew what was coming in the following statement I was going to make, and that is why he tried to divert my attention from the line of discussion I was then pursuing. I showed to the Senate what happened in 1921 and in the consideration of the act of 1924. Now, let us see about the act of 1926.

The Treasury recommended in the consideration of the 1926 act that the Congress could cut the taxes \$300,000,000. Congress did not accept that recommendation, but they cut the taxes by \$422,000,000. Notwithstanding a \$122,000,000 greater cut than that recommended by the Treasury, there was piled up in the Treasury a surplus that year of \$307,000,000, and the next year it reached the enormous figure of \$607,000,000. Yet with these startling facts before the Senate and before the country—facts which no Senator on the other side will deny—they have the audacity to come here and say, "Let us accept conclusively this year the estimate of the Treasury Department." I submit, Mr. President, if the Treasury Department has been wrong in every instance heretofore it is likely to be wrong in this instance at this time.

Mr. REED of Pennsylvania. Mr. President, will the Senator permit another question?

Mr. HARRISON. Why, yes; the Senator can ask all he desires.

Mr. REED of Pennsylvania. The Senator has called attention to the fact that the surplus in the fiscal year 1927 was about \$250,000,000 more than the estimate.

Mr. HARRISON. Nineteen hundred and twenty-seven?

Mr. REED of Pennsylvania. Nineteen hundred and twenty-seven.

Mr. HARRISON. The surplus was \$635,000,000.

Mr. REED of Pennsylvania. Yes; \$250,000,000 more than the estimate.

Mr. HARRISON. Yes.

Mr. REED of Pennsylvania. Half of that increase was due to increased receipts, mostly because railroads paid their bonds which the Treasury was holding; and half of it was due to the decrease in expenditures, largely because the Senator's colleague from Missouri [Mr. REED] insisted that no legislation, including the deficiency appropriation bill, should pass unless he got his investigating committee continued.

How could the Treasury foresee either of those events; and how is the Treasury to be blamed for its failure to know that there was going to be such a filibuster?

Mr. HARRISON. Mr. President, if I were the Senator from Pennsylvania, I should be the last one in this Chamber to recall that filibuster—

Mr. REED of Pennsylvania. I should think the Senator would.

Mr. HARRISON. Because he was the one that led in it, and he was the one that caused the confusion at that time. It reflected no credit upon the Senator.

Mr. REED of Pennsylvania. The closing speech of that session was one which I should think the Senator would not want to recall.

Mr. HARRISON. It was the best one I ever made, and it was about the Senator from Pennsylvania and his connection with Pennsylvania corrupt politics.

Mr. REED of Pennsylvania. I suppose the Senator remembers what he said.

Mr. HARRISON. Now, may I proceed? I knew that that would be the argument made, that some of the railroads had paid some of their debts, and that we would not collect as much from the railroads next year as that year.

Mr. SMOOT. That is true.

Mr. HARRISON. Yes; to a certain extent that is true; but that does not excuse an error of between four hundred and six hundred million dollars in the Treasury Department's estimate. Not once, but year after year. The Senator can not excuse it under any circumstances.

In answer to the question of the Senator from Pennsylvania, here is a statement made by the Treasury Department in 1925, after the March returns came in. Here is what they said:



Under other revenue acts the March installment had been a certain percentage of the total annual revenue. Our June and September results, however, show that this ratio had changed materially. The explanation appears to be this: The large taxpayers pay in installments throughout the year. The small taxpayers pay in full in March. The taxes of the small taxpayers had been so reduced by the new law that their payments in full did not constitute such a material part of the whole.

Mr. President, that statement was made in 1925 after these returns. The same argument has been made every time; and I submit that there is no accuracy in the estimates made by the department.

Now, let me read some of the statements of some of the leaders on the other side of the aisle in the past with reference to their views of these estimates. Why, they have shifted as the winds have shifted; and none of them shifted more, and quicker, and in greater amount than the distinguished chairman of the Finance Committee.

Last year he shifted from one place to the other. When he was out amid the Black Hills of South Dakota it was one thing. When he was here in his office at Washington it was another thing. When he came in contact with that dominant figure of this administration, Andy Mellon, it was another thing. Now, I want to bear out that statement, because I would not do the Senator an injustice. I know that he has a right to change his mind. He has grown up changing his mind; but I never knew him to change his mind so completely and so constantly as he has upon this tax question during the last two years.

Mr. SMOOT. Mr. President—

The PRESIDING OFFICER (Mr. WATERMAN in the chair). Does the Senator from Mississippi yield to the Senator from Utah?

Mr. HARRISON. I do.

Mr. SMOOT. The reason why the Senator from Utah changed his mind as to the amount of reduction of taxes for this year was the very fact that after the returns of March 15 were known, and there was not any guess about it, I could not do otherwise than say that that is exactly what I was going to follow out if I could. That is the position I took, and that is my position now.

Mr. HARRISON. Mr. President, before I finish I shall show the motives behind this proposition for the rapid payment of the national debt. I shall lay the picture not only before the Senate but before the American people, and let them draw their own deductions. I shall let them know that from the head of this Government down to the chairman of the Finance Committee and our emissaries in foreign countries they are obsessed with the idea of taxing the American people in excessive sums to pay off the national debt within an unreasonable period. And that, too, notwithstanding the President of the United States on one occasion characterized as larceny, "The collection of more taxes than were required for the orderly administration of the Government."

Mr. SMOOT. I want to say to the Senator, so far as I am personally concerned, that I have no interest whatever in what may be paid off to assist anybody in this country.

Mr. HARRISON. Well, let us see. The Senator, then, can respond.

Mr. SMOOT. I want the Senator to understand that at this particular time. I have insisted, and shall always insist, that we collect from the foreign countries every dollar they owe the Government of the United States, and do it just as fairly as possible.

Mr. HARRISON. The Senator is being hoodwinked. He is being deceived. If he is innocent in this matter, he had better open his eyes quickly, because he is tripping into a trap.

Mr. SMOOT. I will take care of myself, Mr. President.

Mr. HARRISON. The Senator usually does, but I am always willing to give him good advice.

Mr. SMOOT. Before the Senator starts on that, I should like to have the Senator tell the Senate and the country what his estimates are now.

Mr. HARRISON. I shall tell the Senator and the country what my estimates are.

Mr. SMOOT. I should like to have them in detail.

Mr. HARRISON. We will give them to you in detail. Of course, I know it is going to have no influence upon the Senator, because, if he had taken all of our suggestions, he would really have had a pretty good bill here. The best parts of the bill were where he did accept our suggestions.

Mr. SMOOT. I do not know what the Senator means by "our suggestions." Does he mean the suggestions of the majority of the Finance Committee?

Mr. HARRISON. The Senator knows too well what I mean. Will not the Senator now, please, let me proceed?

Mr. SMOOT. Certainly; with great pleasure.

The PRESIDING OFFICER. The Senator from Mississippi has the floor.

Mr. HARRISON. Mr. President, I want to read a few extracts from the "high-ups" of the administration. Let us take, first, the President, the great friend of Dwight Morrow.

Three hundred and eighty-three million dollars—

Says the President on December 9, 1926, says the New York Times—

surplus for the fiscal year ending June 30, 1927. Expressed opinion that if surplus was to be used for any purpose other than reduction of public debt, it was wisest simply to make refund or credit to all classes of income-tax payers next year.

If it could not be used in paying off the national debt, he wanted to give the credit immediately to the income-tax payers for that year. No permanent tax reduction, notwithstanding at that time, according to his language, there was \$383,000,000 surplus in the Treasury.

He said further, a little later, on March 26 of the same year:

Coolidge assured of heavy surplus. Understands surplus for fiscal year will be considerably in excess of the \$400,000,000 previously estimated.

Let us see what Mr. Mellon says about this debt retirement, in April, 1923:

Mellon forecasts \$484,000,000 deficit in the Budget in 1923—

Deficit!—

Instead of the \$167,000,000 predicted earlier. The surplus in 1922 will be about \$47,000,000.

And yet the surplus was \$308,000,000! He was not very far off; just a little over \$250,000,000—this great man whose recommendation you ask us to accept as conclusive. I read further from the New York Times of March 16, 1926:

Treasury advises Coolidge that surplus for fiscal year 1924 will exceed one-half billion dollars.

Mellon says in letter to Senator Smoot (dated July 4, 1926) that surplus of more than \$377,000,000, recorded on June 30, has been applied to debt reduction. By close of fiscal year entire surplus will have gone into debt reduction—

Says the Secretary of the Treasury.

On March 21 of that year it says:

Treasury raises its estimate of this year's surplus to \$250,000,000. Favors return of 15 per cent tax, but no revision of rates.

Prospect of surplus—

of \$600,000,000 makes tax reduction an issue. Mellon prefers debt cut.

Mellon sees \$600,000,000 or, maybe, \$650,000,000 surplus. Later figures than those he gave to Coolidge.

That was in 1927, June 11—

Senator SMOOT—

Let us get down to him.

Mr. REED of Pennsylvania. Up to him.

Mr. HARRISON. I never supposed before that the Senator from Pennsylvania thought that in going from Mellon to Smoot you would have to go up. I thought the Senator at least would think that you had to go down.

June 8, 1926, says the Times—

SMOOT tried to prove to his colleagues that unofficial estimates that the Budget surplus on June 30 would be from \$250,000,000 to \$300,000,000 were built on unstable figures. Expressed doubt whether there would be a considerable surplus at end of fiscal year 1927, quoting figures to prove his estimate.

And yet there was in 1926 a surplus of \$377,000,000 and the next year of \$658,000,000. The Senator was not very far wrong—just \$658,000,000.

SMOOT says the surplus will be between \$350,000,000 and \$600,000,000.

That was on March 21, 1927; and yet it was still higher than that.

Senator Smoot further said—

This is March 19, 1927, right after Congress adjourned, following that fight that we made here in that Congress to get some tax relief to the American people, when the majority side of this Chamber thwarted our plans; when, over on the other side of the Capitol, led by the distinguished minority leader of the Ways and Means Committee, a request signed by more than 175

Members of the House of Representatives was presented to the Ways and Means Committee of the House to take up immediately the consideration of a revenue bill and give some relief to the country, but the majority organization over there, acting in conjunction with the majority organization here, both of them under the domination and instruction of the man who sits as Secretary of the Treasury and the man who sits as President of the United States, thwarted our plans. You said the surplus ought to go into debt retirement. Just 12 days after that, however, the Senator from Utah gave out a statement to this effect:

Smoot estimated surplus would reach as high as \$600,000,000. If this figure was reached, Congress would be justified in reducing taxes \$500,000,000, with special relief being afforded to corporations and those paying the medium surtaxes.

That was in March of last year.

Mr. SMOOT. I do not know what the papers say, Mr. President. I can not say anything about what papers the statement was in, but—

Mr. HARRISON. This was in the New York Times of March 19, 1927.

Mr. SMOOT. I do not care what paper it may have been in, Mr. President. I have never at any time thought that it would be more than \$400,000,000. The Senator gets his years mixed up.

Mr. HARRISON. No; I am not getting my years mixed up. I am reading what purports to be a statement of the Senator and published in a reputable newspaper.

Mr. SMOOT. The Senator has already done it once, and I did not call his attention to it.

Mr. HARRISON. I am quoting from a paper here. The Senator denies the statement.

Mr. SMOOT. No; no.

Mr. HARRISON. I am going to read from papers of other dates and see if they are wrong also.

Mr. SMOOT. The Senator is speaking of one year and I was speaking of another year.

Mr. HARRISON. What year is the Senator speaking of?

Mr. SMOOT. Of course, I do not know in what year that paper was published.

Mr. HARRISON. I am speaking of March 19, 1927, immediately following the adjournment of the last Congress.

Mr. SMOOT. I think I said that the surplus would be over \$600,000,000; and it was. It was \$635,000,000.

Mr. HARRISON. Yes; the Senator just missed it by \$35,000,000 that time. Did the Senator say at the same time that if it was over \$600,000,000 we might give tax relief of \$500,000,000 to the people at this time?

Mr. SMOOT. That is, if the same increase was made for the year that we are now legislating for, then we could do it.

Mr. HARRISON. It was more than \$600,000,000 in 1927, and it is more than \$400,000,000 in 1928.

Mr. SMOOT. No; the Senator has made a mistake again. We have not any figures for 1928 yet.

Mr. HARRISON. Why, I am surprised at the Senator. What is the Treasury's estimate for 1928?

Mr. SMOOT. The Treasury's estimate now, after receiving the taxes on March 15, 1928, is about \$187,000,000.

Mr. HARRISON. Does the Senator state to this body that the Treasury does not estimate that for the fiscal year 1928, the present year, there will be a surplus of over \$400,000,000 in the Treasury?

Mr. SMOOT. The Senator is quoting from a paper of March, 1927. Now he is speaking of the fiscal year which took in the \$635,000,000 and was quite a different proposition.

Mr. HARRISON. For 1927 it was over \$600,000,000.

Mr. SMOOT. Six hundred and thirty-five million dollars.

Mr. HARRISON. Why, of course; and this year it is more than \$400,000,000. Is not that right?

Mr. SMOOT. Mr. President, I said if—

Mr. HARRISON. Oh, yes; "if."

Mr. SMOOT. And I say it again. Nobody knew it. The Secretary of the Treasury did not know it. The Senator from Mississippi did not know it. Nobody in the country knew what it would be for the fiscal year 1928.

Mr. HARRISON. What does the Senator say it is?

Mr. SMOOT. Nobody knew anything about what it would be for the fiscal year 1929—and that is what this bill applies to—until after the returns came in on March 15 of 1928. We must not get the fiscal year and the calendar year mixed up, and that is what the Senator is doing.

Mr. HARRISON. The Senator is still trying to confuse the issue. He plays "hide and seek" well with himself.

Mr. SMOOT. I am not trying to confuse the issue.

Mr. HARRISON. But he can not do it. Here he stated, if the newspaper is correct, in the New York Times of March 19, that the surplus would reach as high as \$600,000,000.

Mr. SMOOT. And it reaches \$635,000,000.

Mr. HARRISON. He said that if this figure was reached Congress would be justified in reducing taxes \$500,000,000.

It reached \$635,000,000, and yet the Senator says now that we will stand for a reduction of but \$200,000,000.

Mr. SMOOT. The pending bill has no reference to that at all. This bill is to take care of 1929. This bill is based upon the receipts as shown on March 15, 1928, and the estimate of the Treasury was about \$200,000,000. To be exact, it is \$187,000,000, as I remember. That is what we are working on in this bill.

Mr. HARRISON. Now, let me ask the Senator a question.

Mr. SMOOT. Certainly.

Mr. HARRISON. What did the Senator mean when he said that if this figure, \$600,000,000, was reached, Congress would be justified in reducing taxes \$500,000,000?

Mr. SMOOT. I said if the amount of \$600,000,000 was repeated again; then we could do it, and I say so now.

Mr. HARRISON. No; the Senator did not say anything about "repeated again."

Mr. SMOOT. Well—

Mr. HARRISON. Then the newspaper is wrong.

Mr. SMOOT. I will let the Senator from Mississippi put any construction on it he wants to; any construction he desires.

Mr. HARRISON. Let me read it again, so there will be no confusion about it.

Mr. SMOOT. There is no confusion about it.

Mr. HARRISON. Then we agree, and I will proceed.

Mr. SMOOT. No; we do not agree, because we disagree as to years. There is all the difference in the world.

Mr. HARRISON. Let us take another statement of the Senator. That was March 19.

Mr. SMOOT. Yes.

Mr. HARRISON. That he was going to give tax relief; and if it appeared there would be a surplus of \$600,000,000, we were going to get a five hundred million tax reduction bill. On June 8, 1927, the Senator is quoted in the New York Times—

Mr. SMOOT. 1927?

Mr. HARRISON. June 8, 1927, the Senator is quoted as saying:

I think the tax bill is a very important thing and the taxes ought to be reduced to the extent of two hundred and sixty to three hundred million dollars, and the revision effective by February 1 next.

That was the statement at that time, that it could go up to \$300,000,000.

Mr. SMOOT. That had no reference whatever to the \$600,000,000. It is not the same thing at all.

Mr. HARRISON. I am not talking about the \$600,000,000 now. I am just quoting from the Senator's statement. I am talking as the Senator was talking about a permanent tax-relief measure.

On July 22 the Senator made another statement. This was a speech at Rapid City.

Mr. PITTMAN. What year?

Mr. HARRISON. This was 1927. He said:

Plans cut of \$300,000,000 including following reductions.

This is when he became specific. He was going to give tax reduction; and he was going to specify where it would come. First, corporation tax, 13½ to 12 per cent. In the pending bill he has not done that. He and his committee first reduced it to 12 per cent, and then they raised it to 12½ per cent. So he is not carrying out that promise. Let us see the next one:

Abolition of admission and so-called nuisance taxes.

He has not done that. He eliminated the admission taxes up to \$3, but he left the tax on the balance. We are trying to eliminate all the admission taxes. So he is wrong in that.

Reduction in income taxes between \$15,000 and \$60,000.

He proposed to give a reduction to everybody who pays an income tax, whether five millions or twelve thousand, so he is wrong in that.

Automobile tax from 3 to 1½ per cent.

He was for that; he was against taking off the automobile tax, but when he saw we had sufficient votes to remove those taxes, then he, with his political brothers on the Finance Committee, suddenly changed front and they come in and now propose to take all the automobile taxes off. Consequently, he was not right in that assertion. I am just wondering whether the Senator was correct in any of those propositions. Let us go further. He made another statement on July 23, 1927, just the day after the other statement.

Will not support reduction beyond \$300,000,000. To go beyond that would threaten a deficit.



He will not even go to \$300,000,000. He wants to limit it now to \$200,000,000. The next statement was November 15, 1927. Now we come to the time when he began to associate with Mr. Mellon and the occupant of the White House. Let us see if he shifted his position again. He says, as reported in the New York Times of that date:

Treasury determined in its stand not to reduce tax yields beyond \$225,000,000. Smoot now agrees.

I have here a copy of the New York Times of that date, in which there appears in big headlines—

Mellon foresees no business slump; tax shift by SMOOT.

Look at it, Senators: "Tax shift by SMOOT." That is in big headlines. So the Senator was just sidestepping and shifting all the time. The Secretary of the Treasury had a powerful influence with him.

I might read from the statements which I put in the Record of Representative Green, who at that time was chairman of the Committee on Ways and Means. I might put into the Record some of the statements of Mr. HAWLEY, who succeeds him. Of course, Mr. Green has not always agreed with the Treasury Department, so they found another place for him. I am very fond of the distinguished former Representative from Iowa, Mr. Green, but he had reached that age in life when, in the wisdom of Congress, men should retire from public service; so he was taken out of his important position as chairman of the Ways and Means Committee and elevated to a place upon the judiciary. It is quite a contrast, and yet amusing, that just a few weeks after that the chief justice of the Court of Claims, who was not as old as Mr. Green, retired, under the law. Thus we have it that some men who have reached an allotted age step down and accept the provisions of the law governing retirement, while others are kicked out and given like places.

They did not stop there, however. It was thought that Mr. Mills, who had been an influential spokesman for the Treasury Department on the Ways and Means Committee, could render greater service as Undersecretary of the Treasury. He likewise shifted his positions. I have many expressions here in which he speaks for debt retirement. He was the one in the hearings this time who appeared before the Finance Committee and combated the views of the Chamber of Commerce of the United States. He is the one who defends all this debt-retirement policy.

Mr. President, I submit that the Treasury to-day will stand for a tax reduction of at least \$325,000,000. The American people are entitled to that relief. We have in this bill eliminated the retroactive features of the law, which give the relief in this tax year. That will carry over next year \$400,000,000 of the surplus. That amount will be made available for tax reduction next year.

Ah, but Senators on the other side say, "That has been spent; the debt has been paid. We saved a lot of interest. We are using that money in debt retirement." Yes; but they forget that when they save a quarter of 1 per cent for the Government in retiring these bonds they are compelling the American taxpayer to go out and pay 6 per cent and 8 per cent, and sometimes 10 per cent, to borrow money in order that his taxes might be paid. Yes; you are saving the Government interest, but you are clamping the iron yoke of unnecessary taxes around the necks of the taxpayers of this country.

What about this debt-retiring proposition? Listen to me. In 1919 the Congress thought it was wise to create a sinking fund, which the Congress might appropriate annually to supply, and that that sinking fund should go toward the liquidation of the Nation's debt. The amount was made \$253,000,000 annually.

The law provided further that we would take that money and buy Government bonds, and that when those bonds were canceled the interest on those bonds should continue to run and be compounded, piling up year by year in the sinking fund an added amount. Now it amounts to something like \$350,000,000. In a few years it will soar to \$600,000,000, and on up to \$800,000,000. It was thought at that time that we could pay off the Nation's debt in 26 years by the use of that sinking fund alone, not employing surpluses drawn from the taxpayers of the country, not employing the interest that comes from the foreign debt. It was recognized that the war was fought not only for this generation but for generations yet to come, yet, at the rapid gait they are now going, and if we would follow the dictates of the Secretary of the Treasury and the President and the distinguished chairman of the Finance Committee, we would pay the debt off in far shorter time than 20 years. Their answer is that "We save interest by doing so," forgetting that they are imposing higher burdens and interest charges on the taxpayers of the United States.

Mr. President, I believe, and the other minority members of the Finance Committee believe, that a sufficient sinking fund should be provided annually to pay off this national debt in a reasonable time, and in an orderly, certain way. We believe that if you want to fix it at 20 years, you should do so, or at 25 years or 30 years, but the American people ought to know definitely just how much is to be employed every year in the payment of our national debt; that you should not this year pile up new surpluses drawn from the taxpayers and put them into the sinking fund, and take the interest from the foreign debt and put it into the sinking fund, and pay off in some instances more than a billion dollars a year in retiring the Nation's debt.

Why is this, I ask? It is hard to believe, but people have their opinions. I have shown what the President of the United States has said, that he did not want to give tax reduction to the people in 1926, but wanted to apply the surplus to debt reduction. We have read what certain leaders on the other side said last year, that the surplus should be applied to debt reduction.

The Senator from Utah, as well as anyone else, knows how difficult it was to fund our foreign debt. You were a long time negotiating. The representatives of the foreign countries pointed out the fine economic condition of America. They pointed out their own depleted condition. They pointed to the huge debt burdens of those countries, and you, in return, among other things, said that you were not going to cancel the debts, because this country owed huge debts. The large amount of this Nation's debt entered into that negotiation, and was helpful in getting as good a debt-funding agreement as you did procure. There is no question about that.

The debt will be paid in 18 years if we apply the interest on foreign debts and the principal of foreign debts collected with the sinking-fund requirements of the present law. Billions of dollars to be paid by the American people within 18 years. If we pay according to the sinking-fund law, using no cent drawn from the taxpayers in building up a surplus, and not using the interest that comes from the foreign debt, amounting to \$160,000,000, if we use just the sinking fund alone, we will pay the whole debt in 22 years. In 22 years, applying merely the sinking fund alone, as provided in the law, excluding interest on foreign debts, excluding surpluses that may be drawn from the taxpayers, we will get out of debt.

Mr. SMOOT. The Senator will probably make the correction, but for the Record permit me to say this: The Senator speaks of the amount provided under the law to extinguish the debt. That has reference only to the domestic debt.

Mr. HARRISON. We were to raise 2½ per cent of the aggregate amount of bonds and notes of this Government outstanding, less an amount equal to the par amount of obligations of foreign governments held by the United States. That is quite true.

Mr. SMOOT. But outside of that there will be billions of dollars that we owe, representing money that we loaned to foreign countries, and we have to pay that.

Mr. HARRISON. There is no difference between the Senator and myself on this proposition. Let me continue, and the Senator will see that there is no difference.

Mr. SMOOT. From what the Senator has already said, I think there is.

Mr. HARRISON. The law provided for 2½ per cent upon the outstanding indebtedness of this Government, less the amount the foreign Governments owed.

Mr. SMOOT. But this is the domestic debt; that is, it was money expended by us during the war and not advanced to foreign countries.

Mr. HARRISON. That is quite true.

Mr. SMOOT. It was \$10,136,194,500.

Mr. HARRISON. That is absolutely right. The constant appropriation continually for the sinking fund is \$253,000,000 plus.

Mr. SMOOT. Yes; but—

Mr. HARRISON. Let me finish this. There is no difference between the Senator and myself.

The aggregate of Liberty bonds and Victory notes outstanding July 1, 1920, was \$19,000,000,000 plus. The amount of foreign obligations held by the United States July 1, 1920, was \$9,000,000,000 plus. The basis of the sinking fund was \$10,136,000,000 plus. Two and one-half per cent of this was \$253,000,000. We thought at that time, of course, that the foreign Governments would at least pay the interest and would pay the principal and that we would get the money back. We held their notes. Nobody thought we would have to compromise in some instances on the basis of 27 cents on the dollar, but we did,

If we allow the sinking fund to remain as it is, as I have stated, at \$253,000,000 a year, and take that amount and buy Government bonds, as is provided, and cancel them and let the interest continue to run, compounded, in 22 years we will have paid not only our domestic debt but the foreign debt as well.

Does the Senator combat that proposition?

Mr. SMOOT. I combat it so far as the 2½ per cent is concerned. The Senator limited his statement to that basis. We would have to pay all the principal owed by the foreign countries; we would have to pay all the interest owed by the foreign countries; and we would have then to pay the 2½ per cent.

Mr. HARRISON. That is all quite true, but we would pay it all in 22 years. If the Senator disputes that proposition—and will ask his own actuary about it—he will find that I am stating the fact.

Mr. OVERMAN. Mr. President, will the Senator from Mississippi yield to me?

Mr. HARRISON. Certainly.

Mr. OVERMAN. As I understand it, the Senator from Utah has said that we owe foreign Governments a billion dollars, which we will have to pay?

Mr. SMOOT. Oh, no. They borrowed billions of dollars from us, and if they do not pay the United States the United States will have to pay the bonds which we sold to get the money to give to those foreign countries.

Mr. OVERMAN. That is quite another question.

Mr. GERRY. Mr. President, will the Senator from Mississippi yield to me?

The PRESIDING OFFICER. Does the Senator from Mississippi yield to the Senator from Rhode Island?

Mr. HARRISON. I yield.

Mr. GERRY. I read briefly from the hearings before the Finance Committee as bearing on that point:

Senator SHORTRIDGE. How long would it take us to pay off the entire indebtedness under the present system, eliminating any application by the Treasury for the payment of that debt out of accumulated surplus, except as provided by legislation since the war?

The CHAIRMAN. You mean at the 2½ per cent?

Senator SHORTRIDGE. That is about what it amounts to.

Undersecretary MILLS. About 22 years.

Senator SHORTRIDGE. About 20 years?

The CHAIRMAN. Yes.

Undersecretary MILLS. I think it is about that. It certainly would not be before that.

Mr. HARRISON. There is no controversy about that.

Mr. SMOOT. None at all on that point.

Mr. HARRISON. By the employment of the sinking fund alone, not using the interest we collect annually, which is about \$160,000,000, from the foreign debt, we will have paid off our domestic and foreign debt in 22 years. If we want to employ the interest that we collect to build up a sinking fund, that is all right, but let us follow some fixed rule. Let us have the American people know that within a certain period this debt is going to be liquidated. I have the idea—and many people in the country have the idea—that in 18 years we will owe nothing unless we get into another war, which God grant we never will. If we employ the interest and the principal and the sinking-fund requirements during that time, we will be clear out of debt.

Mr. SMOOT. And then we can reduce taxes.

Mr. HARRISON. What will then happen I do not know. Let us see! There is where the Senator has tripped into the trap. There is not a single government whose debt we have not funded, and we have given them 62 years to pay, that will not then be here at the doors of this Government asking for the cancellation of the debt at that time. The argument will be most appealing. The argument will not then lie in the mouth of the chairman of the Finance Committee, who was a member of the War Debt Commission, to say, "Oh, we can not. Look at our own condition. We are in debt. We are taxing the American people to pay off this debt." They would then say immediately in reply, "But you are out of debt. You have prosperity in America. It is a great, wonderful, wealthy country. On the contrary, our nation is poor. We are struggling. We are burdened with taxes. Although we have 42 years more in which to pay you the principal and interest, although you may have settled with us at 27 cents on the dollar, yet we ask you to cancel the debt."

Behind that request will move a great force, a great propaganda which will rise in America, and which will force this Government to cancel those debts. We have seen the effect, poisonous at times as it is, of foreign interests in this country working upon the public mind to get legislation favorable to them. But behind all this are groups made up of the sons and daughters who came from those countries, bringing their pres-

sure to bear upon their Congressmen, upon their Senators, upon the President and others to get those debts canceled. There will be other powerful interests at work. I have cited what the President said about debt retirement and what the Secretary of the Treasury has said about it.

Mr. President, the Senator from Utah as well as the Senator from Pennsylvania will remember that there appeared before the Finance Committee of the Senate some two years ago, when the French debt-funding agreement was before it, Mr. Dwight Morrow. Mr. Morrow at that time was the dominating figure of Morgan & Co., an able man, an estimable gentleman, close chum and college friend of the President of the United States; the man who, it is said, the President seeks for counsel and advice, who sat closeted at times exchanging views with the President when the President would see none other save Dwight Morrow. It is said that the Secretary of the Treasury has been not only a great business friend of Dwight Morrow, but a social friend as well. It is known to everybody how close the Undersecretary of the Treasury, Ogden Mills, has been and is to Dwight Morrow. Mr. Morrow has been appointed by the President on numerous commissions to render high service. He has performed those services well, no doubt. He has recently been honored by being sent as ambassador to Mexico. It is said by his friends that he performed a task there that none other could, powerful man that he was and is.

There he was appearing before the Finance Committee as the dominating representative and figure of Morgan & Co. What was his testimony? I asked him the question if his firm had negotiated and sold any bonds of any foreign country in America within recent months. His answer was to the point:

Since the war we have placed loans of European nations as follows: One loan to Great Britain of \$250,000,000 in 1919; six loans to Belgium, one of \$25,000,000 in 1920, one of \$50,000,000 in 1920, one of \$3,000,000 in 1921, one of \$30,000,000 in 1924, one of \$50,000,000 in 1924, and one of \$50,000,000 in 1925; one loan to Austria of \$25,000,000 in 1923; two loans to Switzerland, one loan to Germany, and three loans to France, of \$100,000,000 each.

There was also a \$100,000,000 loan placed in this country by the Italian Government. He told in the testimony how his interests and other groups took those bonds, how they made the loans, how they had to get other institutions in New York to take them over. He said that they sold in some instances, in the case of the Italian bonds, for instance, at 88 cents. They have now gone down still further. As a matter of fact, it is said that they are not marketable now.

The bonds are in this country. The Austrian bonds, the French bonds, the Italian bonds, all the bonds of the foreign governments whom we have given 62 years in which to fund their debts to us, will have their representatives here crying aloud for their cancellation. When they are canceled what will happen? Every Italian bond, every French bond, every Austrian bond, every foreign bond sold by the Morgan interests, through Dwight Morrow and his associates, will be affected by the cancellation of the Governments' debts, and those private bonds will immediately take on new life and soar skyward. They will reach par. They will go above par. Who will be benefited? It will be the groups of interests which own the bonds that were sold by Dwight Morrow's firm. Is that the reason for this unyielding contention, this organized plan upon the part of men in high places to liquidate our foreign debt within such a short time? It behooves the American people to think, and if the Senator from Utah has not believed that, then he is more innocent than I think he is.

Mr. SMOOT. Mr. President, I want to say to the Senator that I think he knows my attitude in relation to the cancellation of foreign debts.

Mr. HARRISON. Yes; but the Senator and I might not be here in 18 or 20 years.

Mr. SMOOT. That may be true, too; and more than likely is true so far as I am concerned.

Mr. HARRISON. I hope the Senator will be here.

Mr. SMOOT. I want to say to the Senator that I have never thought of agreeing, I have never had an idea of agreeing, and I can truthfully say that I never shall agree to the cancellation of the foreign debts. They may not pay us, but the obligation will be there, so far as I am concerned, and will last just as long as time remains as far as any action of mine is concerned.

Mr. BRUCE. Mr. President, does the Senator mean to say that even after our domestic indebtedness has been disposed of the obligations on the part of other nations of the world to us must be paid?

Mr. SMOOT. Certainly.

Mr. BRUCE. Even then?

Mr. SMOOT. Why, yes. Why should we cancel the debts?



Mr. BRUCE. Even after we have not a single dollar of indebtedness remaining unpaid we are still to collect?

Mr. SMOOT. Absolutely. There is an obligation existing there that is just as sacred as any obligation the Senator himself would make.

Mr. HARRISON. Mr. President, I merely desired to say what I have said, and I therefore yield the floor.

Mr. SMOOT. Mr. President, in connection with the suggestion of the Senator from Mississippi, there are less than 4,000,000 people in the United States who pay taxes at all. We have no greater number of taxpayers than that, and that number includes all the associations, individuals, and all the corporations in the country. Every reduction that is made by the paying off of our indebtedness, the cancellation of our obligations, means reduction of taxes. If what the Senator said should happen in 18 years, the interest alone at 3 per cent on \$18,000,000,000 would be \$540,000,000. We talk about tax reduction. That is the best way in the world to have tax reduction.

As far as the debts owing to the United States by foreign countries are concerned, I want to call the attention of the Senate to the fact that approximately half of those debts were made after the close of the war. The advances were made after the close of the war.

Mr. KING. Mr. President, will my colleague yield?

Mr. SMOOT. Certainly.

Mr. KING. I think the Senator ought to state, in connection with that last observation, that most of the advances made after the armistice were based upon commitments anterior to that time and largely to pay American dealers who had sold goods and supplies and munitions of war to the allied nations, and most of them were payments and advances from the Treasury that went into the pockets of American manufacturers.

Mr. SMOOT. So far as the statement of my colleague is concerned, I could bring the hearings before the Finance Committee and submit them to the Senate, showing that the Senator from Missouri [Mr. REED] called particular attention to the fact and stated that there was not a scintilla of law authorizing such advances. I am not complaining of that. I simply want to call it to the attention of the Senate. I merely called it to the attention of the Senate.

Mr. BRUCE and Mr. SHORTRIDGE addressed the Chair.

Mr. SMOOT. Just a moment. I know what was back of it all. We had been in the Great War; the foreign countries incurred these obligations; there is not any question about it; and, in order to save their own credit or what little they had left, America had to advance this money to them.

Mr. BRUCE. The Senator called attention to the fact that a part of this indebtedness was contracted after the close of the World War. I imagine, however, that even that part of the entire indebtedness that the Senator from Utah [Mr. KING] has suggested was on account of commitments made during the World War.

Mr. SMOOT. I will admit that some of it was, but not all of it.

Mr. BRUCE. And, of course, part of it must also have been made necessary by the calamities and distress, in one form and another, resulting from the World War.

Mr. SMOOT. I have no doubt of that.

Mr. BRUCE. Suppose the Senator is right in saying that we should not cancel any part of the foreign indebtedness contracted after the war—

Mr. SMOOT. I did not say "after the war." I said any part of the indebtedness due to this country by foreign nations for which we are holding their obligations to-day. I will say further to the Senator that there was one country—Italy—whose obligations to the United States amounted to about \$2,000,000,000, which were settled on a 26 per cent basis. The proposition that we made to France was on a basis of about 50 per cent.

Mr. BRUCE. I understand that.

Mr. SMOOT. In fact, I was perfectly willing to give France every single dollar that was advanced to her up to November 11, 1918, the date of the armistice, and then let her pay just what we had advanced to her after that, and pay it at the lowest rate of interest borne by any of the bonds which we issued. France, however, did not accept that proposition. If that had been done, it would not have been more than 50 per cent on the dollar of the French obligations due the United States.

Mr. FLETCHER. The reduction the Senator mentions much more than covers what went out of the pockets of American manufacturers.

Mr. SMOOT. Certainly; the reduction that we offered them was more than all that went to the manufacturers.

Mr. BRUCE. The Senator says that no part of the entire foreign indebtedness due to us, as well that contracted during

the World War as that contracted after the World War, should be canceled, even though our indebtedness arising out of the World War shall have been completely discharged. I ask, is that the Senator's position?

Mr. SMOOT. I will say to the Senate that my position is exactly as I have stated it. We have settled with England; we have settled with Italy; we have settled with a number of other countries, not a single one of them paying the full amount of their obligations. My position is that when this Nation has settled with a foreign country and the two have agreed upon the amount of the obligation owed to the United States, the foreign country ought to pay it in full. That is my position.

Mr. BRUCE. I wish to say that I do not agree with the Senator. It is perfectly proper that we should ask for these settlements, because our own indebtedness has been contracted and remains unpaid, but it does seem to me that after our entire indebtedness originating in the World War shall have been fully discharged it would be mean and ungenerous not to say a squalid thing for this country then not to cancel the entire balance of the foreign indebtedness that may remain.

Mr. FLETCHER. Discharged by taxing our own people.

Mr. SMOOT. Mr. President, that would be an invitation for the other nations to pay no more money when we shall have collected from our taxpayers a sufficient amount to pay the obligations of the United States.

Mr. BRUCE. Mr. President, as I look at it to-day—of course, I simply state my own point of view, though it is that of thousands of citizens of the United States besides—the only justification that we have for asking that our Allies in the World War pay any part of their indebtedness to us, incurred during the World War, is found in the fact that we ourselves incurred indebtedness on account of that war; but after this latter indebtedness is all paid off—as it will be, I presume, in 15 years or so—it does seem to me that it would be unworthy of this great, generous, magnanimous Nation of ours that we should still insist on the payment to the last farthing of the principal and interest of the war debts due us by foreign governments.

Mr. REED of Pennsylvania. Will the Senator permit me to ask him a question?

Mr. BRUCE. Certainly.

Mr. REED of Pennsylvania. I should like to know which of our distinguished colleagues is speaking for the Democratic Party? I understood the Senator from Mississippi [Mr. HARRISON] to denounce the very thought of cancellation of the debts and warn us that we were going to be exposed to foreign influence to that end, and now I understand the Senator from Maryland to denounce anyone, or disagree violently with anyone, who does not think the debts ought to be canceled the moment the American taxpayer has succeeded in paying off the Liberty bonds which raised the money that we loaned to foreign governments. I should like to know which is the orthodox Democratic doctrine?

Mr. BRUCE. To begin with, I do not feel that I am under any imperative obligation to square my political convictions with those of any Member of the Senate, whether he is a Democrat or a Republican. I will say to the Senator, as my old friend the late S. Teackle Wallis used to say of himself, that while I belong to the Democratic Party in the proper sense of that term, I do not belong to it in any servile sense whatsoever.

Mr. REED of Pennsylvania. I quite honor the Senator for that.

Mr. BRUCE. That may not be sound Pennsylvania politics but it is good Maryland politics.

Mr. REED of Pennsylvania. But I am interested in knowing whether the Senator in this instance speaks the sentiment of the Democratic Party or whether the sentiment of a majority of that party is expressed by the Senator from Mississippi [Mr. HARRISON].

Mr. BRUCE. I do not know whether I speak the sentiments of the Democratic Party as a whole or not, and under the circumstances I do not care. I only know that I speak the sentiments of many of my own Democratic constituents in the State of Maryland, some of whom—and among them several of the most distinguished citizens of that State—have from the beginning advocated the entire cancellation of our foreign indebtedness.

Mr. REED of Pennsylvania. Then, perhaps the Senator from Mississippi, who is a distinguished keynoter, will tell us whether he agrees with the Senator from Maryland.

Mr. HARRISON. Mr. President, I have just expressed at length my own position about this matter. We have voted upon the debt-funding agreements; and Senators, by their votes, certainly expressed their views. I had not supposed the Republican Party had passed on the proposition, certainly the Democratic Party has not done so, that when we shall have

paid off our national debt, then we will be in favor or against the cancellation of the debts due us by foreign governments. For my own part, if I shall have any influence and I am here at that time, I shall then oppose the cancellation of these debts, as I oppose now the too rapid liquidation of our national debt, because I do not want to see that idea encouraged and that day hastened.

Mr. REED of Pennsylvania. Mr. President—

Mr. BRUCE. I think I have the floor.

Mr. REED of Pennsylvania. The Senator from Mississippi and the Senator from Utah are in perfect accord in opposing the cancellation of the debts until the foreign governments that have given us their pledges have complied with them. I am glad to say that I agree with both those Senators.

Mr. BRUCE. Mr. President, I wish to say first of all that I do not see exactly how the Senator could regularly ask of me the privilege of interrupting me when I had the floor and then when I attempted to say something to him, being still upon my feet, deny me the privilege of interrupting him. That is rather an unusual parliamentary situation.

Mr. REED of Pennsylvania. Will the Senator yield to me?

Mr. BRUCE. Yes.

Mr. REED of Pennsylvania. I understood that the Senator from Utah had the floor and that when he yielded I was recognized. If I interrupted the Senator when he held the floor in his own right, I beg his pardon.

Mr. BRUCE. The Senator has been here—

Mr. BROOKHART. Mr. President, I should like to get a chance to ask the Senator from Mississippi a question before we get too far away from his speech.

The PRESIDING OFFICER (Mr. WATERMAN in the chair). Too many Senators are talking at the same time.

Mr. BRUCE. Mr. President, it is not my purpose to object to your ruling, but the Senator from Utah yielded the floor to me, and then the Senator from Pennsylvania asked me if I would not suspend what I was saying for a moment and I gave my consent and yielded.

Mr. BROOKHART. Mr. President—

The PRESIDING OFFICER. Does the Senator from Maryland yield to the Senator from Iowa?

Mr. BRUCE. Yes, I do, if the Senator from Utah no longer has the floor.

Mr. BROOKHART. I wish to ask two or three questions of the Senator from Mississippi. The Senator objects apparently to the payment of our national debt in 18 years. From his speech, as well as I can judge from it, he said that would be an evil which we ought to avoid.

Mr. HARRISON. The Senator correctly interpreted my speech.

Mr. BROOKHART. The Senator from Mississippi mentioned a tax on somebody to pay the national debt. I should like to ask him if the war profiteers and the campaign contributors will not pay most of the debt in 18 years?

Mr. HARRISON. I did not mean the Senator from Iowa.

Mr. BROOKHART. I do not suggest that there is anything personal to me in that claim, but it seemed to me to be one of the most ridiculous arguments I ever heard to oppose paying our debts.

Mr. HARRISON. I am complimented that—

Mr. BROOKHART. When the profiteers of the war are on hand to be taxed to pay it.

Mr. HARRISON. I am complimented that the Senator has that view about it.

Mr. BROOKHART. The Senator made an estimate of the surplus under the rates that he advocates. How much does he figure that surplus will be?

Mr. HARRISON. Under what rates?

Mr. BROOKHART. The rates the Senator has proposed.

Mr. HARRISON. We have not proposed any rates as yet.

Mr. BROOKHART. Well, the Senator and his colleagues will propose rates.

Mr. HARRISON. We will.

Mr. BROOKHART. There will be no surplus under the rates which you will propose, then?

Mr. HARRISON. The idea of the minority members of the Finance Committee is that the Treasury can easily absorb a reduction in taxes of approximately \$325,000,000, and if we can have our way about it we will present a substitute for the provisions of this bill touching a reduction of the surplus. I do not care, however, to get into a discussion of that question at this time. We will discuss that later when the amendment is offered.

Mr. BROOKHART. I only care to discuss the general features of it myself. Does the estimate of the Senator and his colleagues include the expense of flood control?

Mr. HARRISON. I judge from the question the Senator propounds that he is not for any tax reduction at this time, but he is for the payment of the national debt.

Mr. BROOKHART. I say frankly that I would be in favor of increasing the taxes if they were put on the right parties.

Mr. HARRISON. I judge that is the Senator's view.

Mr. BROOKHART. I am not for tax reduction; but the Senator favors this flood-control bill?

Mr. HARRISON. Yes; very much so.

Mr. BROOKHART. And has he allowed, in the rates that he will propose, enough to pay that bill? Will that be included?

Mr. HARRISON. The Senator probably was not here when I stated that there was a surplus this year of something over \$400,000,000 under the House bill.

Mr. BROOKHART. The Senator proposes to reduce that by \$300,000,000?

Mr. HARRISON. The Senator did not let me finish my statement.

Mr. BRUCE. Mr. President, I believe I have the floor. The Senator from Iowa is now going off on a line that hardly justifies me in surrendering the floor to him any longer, though I do not want abruptly to cut him off.

Mr. BROOKHART. One or two more questions.

Mr. BRUCE. I am sorry, but I can not yield further.

The PRESIDING OFFICER. Does the Senator from Maryland yield further to the Senator from Iowa?

Mr. BRUCE. I can not submit to interruptions any longer.

Mr. HARRISON. I should be very glad to answer the questions.

Mr. BRUCE. In his own time the Senator from Iowa can ask his questions; but he is now asking questions that are entirely alien to the one point in which I am interested.

Before I take my seat I merely wish to say that there is nothing surprising even about the idea that the foreign debts due to us might well have been canceled long ago, because, as we all know, there is an urgent body of public opinion in this country, and of the most highly enlightened and disinterested character, which has advocated the entire cancellation of those debts.

I remind the Senator from Utah of the action recently taken by that group of learned men, consisting largely of university teachers, who certainly are among the finest exemplars of our best national ideals, who insisted in the most vigorous and eloquent terms that the war debts due us should be totally canceled. I say nothing of other American citizens outside of academic walks who cherish the same belief.

I have never gone that far. We ourselves contracted, on account of the World War, an indebtedness of very great magnitude, even when considered in the light of our own enormous pecuniary resources; so I have felt that our country did the right thing when it settled on the terms that it did with Great Britain, on the terms that it did with France, and on the terms that it did with Italy.

Mr. SMOOT. We have not settled with France yet.

Mr. BRUCE. That is true; we have not finally settled with France yet.

Mr. SMOOT. Mr. Clemenceau said the other day that they never would pay us a dollar.

Mr. BRUCE. I should have said Belgium, not France. The Senator, strictly speaking, is right, though, so far as the debt commissions of France and the United States are concerned they have arrived at an agreement which lacks only the ratification of the French legislative assembly to be effective. I approve the debt settlements that we have actually arrived at. I think that our country in entering into them came up to the proper level of generosity and magnanimity in every way, though I, for one, do regret that England, in her pride of character and what Edmund Burke once called that chastity of honor which feels a stain as though it were a wound, was not a little less reserved in imparting to us just what she really felt was the proper basis of compromise between her and us under the circumstances. However, as I have said, I approve those settlements. Nevertheless, it does seem to me that when their terms shall have been met down to the time when our own indebtedness incurred on account of the World War—shall have been paid off, then all foreign debts due to us, principal and interest, should be released.

The debtors were our allies and partners with us in a great adventure and a desperate struggle, and though essentially are by no means altogether mere ordinary debtors, I admit that we should not be too quick to accept the opinion of debtors themselves on that subject. The point of view of the debtor is always very different from that of the creditor, whether the debtor is a domestic or an international one; but the very fact that Clemenceau has just stated that not a solitary franc due



by France to the United States will ever be paid shows that in the hearts of the French people there is the feeling that after having taken—to use a plain, coarse phrase—potluck with them in the World War the relations between them and us as debtor and creditor are something just a little different from an ordinary transaction on Wall Street or the Paris Bourse.

Mr. SMOOT. Mr. President—

The PRESIDING OFFICER. Does the Senator from Maryland yield to the Senator from Utah?

Mr. BRUCE. I do.

Mr. SMOOT. Suppose the American Government had not taken part in the war, and Germany had won the war, which she more than likely would have done if America had not gone into it, the Senator does not think for a moment that Germany would have been as liberal to France as the Government of the United States has been, does he?

Mr. BRUCE. No; because I have not forgotten that when Bismarck went down to Paris and exacted an indemnity of one milliard of the French people, and afterwards saw with what rapidity the French provided the funds for its payment, he declared grimly that the next time he went to Paris he would bleed France white.

Mr. SMOOT. The Senator is correct.

Mr. BRUCE. That is the Bismarckian, but it is not the American way.

Mr. SMOOT. Not at all.

Mr. BRUCE. Nor is it the German way when Germany is not controlled by a military aristocracy; but that was the Bismarck way.

Mr. SMOOT. But if America had not gone into the war, I think France and all of the other countries that were fighting Germany would have been bled white by this time and no leniency at all would have been exercised toward any of them, in my opinion. What I want America to do is to settle exactly as we settled before; that is, on the basis of capacity to pay. That is what we have done with every single country; and we have all of the debts settled now, with the exception of the debt of France.

Mr. BRUCE. Let me interrupt the Senator for a moment. I agree with him entirely. I think that France, as a matter of self-respect as well as a matter of what is due to us, should come up and enter into a settlement with us as those other European nations have; and I think that she is running the risk of exposing herself to the world as guilty of shabby conduct in not being as sensitive as she should be to her pecuniary obligations to us.

Mr. SMOOT. I want to call the Senator's attention to the fact that we included in the settlement with France not only what we advanced to her for war purposes, but she bought about \$2,000,000,000 worth of material, and the amount she agreed to pay was \$407,000,000—

Mr. BRUCE. I would not release her from a dollar of that—not one dollar—unless she can plead some equitable set-off arising out of the war which I can not think of at this moment.

Mr. SMOOT. And all that she has ever paid us is 5 per cent upon that amount, or \$20,000,000 a year. That amount falls due some time this year or next, I do not know which. That is \$407,000,000; and we were perfectly willing to put it in. We were perfectly willing to say, "We will settle with you at 50 cents on the dollar of that, and we are perfectly willing to extend the time of payment for 62 years"; and I do not think it was a very nice thing for Mr. Clemenceau to make the statement he did the other day that France would never pay America one penny.

Mr. SIMMONS. Mr. President—

The PRESIDING OFFICER (Mr. Fess in the chair). Does the Senator from Maryland yield to the Senator from North Carolina?

Mr. BRUCE. I am sorry, but I can not yield to the Senator at this time. I will be very glad to do so later. The Senator from Utah has opened up a train of reflection by what he has said, which is natural enough, as the Senator from Utah has a way of always speaking right to the point.

The Senator misunderstands me if he thinks that I have any disposition to reflect on our Foreign Debt Commission. Not at all. I think that they handled all their problems in an admirable manner; and I think that they not only handled them with due regard to everything that we as a people had a right to expect of them, but with a generous sense in every regard of what we owed to our debtors. I do not think that there is any fault to be found with the Italian settlement, or with the British settlement, or with the Belgian settlement, or with any other settlement into which they have entered, assuming that our treatment of Great Britain was quite as lenient as she had a right to expect. That is not the point; and I think, of course, that France should not

be released from a single dollar of the indebtedness which she has incurred to us under circumstances that do not arise directly out of our war copartnership with her.

The only indebtedness that I have in view as proper for cancellation hereafter is that which was contracted by those foreign countries when we were carrying on the war in conjunction with them, as their allies and comrades, and were struggling as they were struggling for the preservation of human liberty and free institutions throughout the world, or as Wilson said, to make the world safe for Democracy.

Mr. FLETCHER. Mr. President, may I ask the Senator one question?

The PRESIDING OFFICER. Does the Senator from Maryland yield to the Senator from Florida?

Mr. BRUCE. Yes; I will yield, but I promised first to yield to the Senator from North Carolina.

Mr. SIMMONS. No; I will wait.

Mr. FLETCHER. I just want to ask one question—whether the position the Senator takes now, that when our debts are all paid we ought to cancel all foreign obligations to us, is not an encouragement to countries like France, and particularly France, to hold out and say that they are not going to pay this debt, in the hope that eventually we will have discharged all our obligations, met all our bonds, and then the argument that the Senator makes will apply, that we ought to cancel the rest of them? Does he not encourage France in the position that she is taking now?

Mr. BRUCE. No; I do not. I think that the effect would be just the opposite. Then France would have a clear prospect of some limit of time at the end of which her obligation to continue to make payments to us would cease. It is my belief that such an outlook would rather stimulate than dull the disposition of the French to meet their present obligations to us. At least, that is one view that might reasonably be taken of the matter.

The Senator from North Carolina desired to interrupt me. I shall be very glad now to submit to an interruption.

Mr. SIMMONS. The Senator has passed from the point about which I desired to ask him.

Mr. BRUCE. I will go back to it.

Mr. SIMMONS. But I will ask the Senator from Maryland and I will ask the Senator from Utah if they believe that the recent utterances of Mr. Clemenceau reflect the sentiment of the French people and the French Government?

Mr. SMOOT. Does the Senator want me to answer first?

Mr. BRUCE. I do. I should like to have the Senator do so.

Mr. SMOOT. I will say frankly to the Senator that I think they do. I think so from the articles I have received and the letters I have received from individuals in France, men that I know are responsible men, men of the French Government who stand in positions of responsibility. I have come to the conclusion that that is the position of the French people—not every one of them; but, I mean, the great majority of the French people.

Mr. SIMMONS. Does the Senator think that is the position of the present French Government, as distinguished from the French people?

Mr. SMOOT. I could not say that, Mr. President. I do know, however, that in the payments that were made to our Government for last year—that is, the payment of \$20,000,000 interest upon the \$470,000,000 for goods purchased—the French Government paid that \$20,000,000, as they have done ever since the contract was made, and the first payment that was made upon the debt itself was the \$10,000,000, or approximately \$10,000,000, that was added.

Mr. SIMMONS. That is, the war debt?

Mr. SMOOT. That went on to the war debt. So that under Premier Poincare there has been paid on the French debt, outside of the goods purchased, \$10,000,000, and that is all.

Mr. SIMMONS. Does not the Senator think that is a committal, so far as the present French Government can commit the people of France?

Mr. SMOOT. It was at least an acknowledgment; and, if the Senator will remember, when the French settlement was made the payments on the French debt settlement included the \$20,000,000, 5 per cent on the amount of purchases made, and in the first two or three years it was \$32,500,000, then a few years at \$35,000,000, and it increased very gradually, because of the fact that we wanted France to get into such a financial condition that she could stabilize her franc and stabilize her money. That is the reason the settlement made with her was a very much better settlement than was made with most any other country with the exception of Belgium. We allowed Belgium to settle all of the prearmistice debt without interest, providing that she should pay interest on the money advanced to her after the armistice was signed.

Mr. SIMMONS. Mr. President, I want to say, so far as I have any opinion about the matter, that I do not believe that Clemenceau's declaration correctly represents the attitude of the French people, as expressed in the position and attitude of its Government. I think it would be a very sad thing for the United States Senate, through the expression of its Members, to give currency to the idea that this country did accept Mr. Clemenceau's declaration as a finality.

Mr. SMOOT. The Senator does not think my statement is to that effect, so far as the American people are concerned?

Mr. SIMMONS. The Senator went as far as he could possibly go.

Mr. SMOOT. I based my statement on letters I have received, I based it on articles I have seen in the French papers, and I based it upon the statement of French citizens in this country with whom I have conversed. I have not seen a single one of them yet who would not say, "We think that debt ought to be canceled."

Mr. SIMMONS. Mr. President, of course, I think that the individual expression of Frenchmen in this country would be along the line just indicated by the Senator from Utah, but I have very great respect for the honor and integrity of the French people, and I believe, even if there is a tendency at this time toward what might be called repudiation of this just debt to us, the time will soon come when the good sense of that great nation will recognize its obligations to itself, as well as to this country, and its responsibility to make just payments upon that indebtedness. However, that was not what I rose to ask the Senator.

Mr. KING. Mr. President, before the Senator leaves that point, will he suffer an interruption?

Mr. SIMMONS. I do not want to have an expression of sentiment here on the floor of the Senate that would be equivalent to accepting this declaration of Mr. Clemenceau as representing the French Government.

Mr. KING. I want to suggest to my friend from North Carolina, as well as my friend from Virginia, that the recent elections in France support, in my view, the opinion just expressed by the Senator from North Carolina.

Mr. SIMMONS. I had that in mind when I made the statement.

Mr. KING. Poincare, it is known, has uniformly held that the debt must be met, that there must be some common ground upon which the United States and France can meet with a view to accommodating any possible misunderstanding that now arises. He has recently achieved a great political triumph, and comes back to the control of France stronger than before. He will have a more powerful majority in the Chamber of Deputies, as well as in the Senate, than in the past. I think that that indicates that an approachment will soon be made by Poincare to the United States Government with a view to making a settlement of the debt which is due from France to the United States.

Mr. SIMMONS. And that would be in entire harmony with his attitude in recent years.

Mr. KING. Yes.

Mr. GLASS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Maryland yield to the Senator from Virginia?

Mr. BRUCE. I yield.

Mr. GLASS. I would ask the privilege of propounding a question to the Senator from Utah in the time of the Senator from Maryland, as I am compelled to leave the Chamber.

Mr. BRUCE. I am delighted to yield to the Senator.

Mr. SIMMONS. I hope that will not end my interruption.

Mr. GLASS. I ask the Senator to pardon me.

Mr. SIMMONS. I yield, so far as my rights are concerned.

Mr. GLASS. I am told that the Senator from Utah in my absence from the Chamber made the statement that the greater part of the loans made by this Government to foreign governments were made after the armistice, and made without authority of law. I desire to ask if that statement is correct.

Mr. SMOOT. I stated that in the hearings before the Finance Committee the Senator from Missouri [Mr. REED] brought that question up, and it appeared that more money had been advanced after the armistice was signed than before the close of the war, I think to nearly all the countries; I do not know whether it was all of them, but the great majority of them, the larger ones. He took the position that that was done without any law authorizing it.

Mr. GLASS. The Senator from Utah does not make himself responsible for the statement?

Mr. SMOOT. I do not.

Mr. GLASS. As a matter of fact, it is not true. As a matter of fact, after the armistice, millions of dollars were paid to foreign nations, but in response to commitments already made.

Mr. SMOOT. That came out in the discussion.

Mr. GLASS. Not one single dollar was loaned to them, or paid to them, that was not fully warranted by the text of the bond acts passed by Congress. As a matter of fact, the Senator from Utah knows, or should know, that all of these bond acts provided that—

For the purposes of this act the date of the termination of the war between the United States and the Imperial German Government shall be fixed by proclamation of the President of the United States.

And nobody will find that one dollar was ever paid out of the United States Treasury on account of foreign loans after the proclamation of the President of the United States terminating the war. So that every dollar loaned was loaned in response to textual requirements of the law.

Mr. SMOOT. What I stated before that was that there was more money advanced after November 11, 1918, than was advanced before that date.

Mr. GLASS. I can not say definitely, although I am sure that is not true; but I am sure very definitely that no dollar was loaned to a foreign nation that was not fully warranted by the text of some act of Congress.

Mr. SIMMONS. Mr. President, I had not finished my interruption. If the Senator from Maryland desires to go on, I will not interrupt now.

Mr. BRUCE. I yield.

Mr. SIMMONS. The Senator from Pennsylvania [Mr. REED] sought to give a political aspect to this matter of difference of opinion as to whether our foreign obligations should be canceled or not. I am under the impression that there are no party lines so far as this question is concerned, that there are Democrats and there are Republicans who believe that the debts should not be canceled now or at any time in the future, under any conditions that may arise in the future, except to the extent to which this Government may consent to a reduction of the indebtedness such as has been made to various nations but not to France.

Mr. SMOOT. We offered it to them.

Mr. SIMMONS. Yes; we offered it to them. There is another element in this country who believe that these debts ought to be canceled now, and who believe, with the Senator from Maryland, that they ought to be canceled anyhow whenever our domestic debt is canceled.

The great mass of the people, in my judgment, are against cancellation, but, as I understood the point made by the Senator from Mississippi, his contention is that there is a powerful element in this country who would be glad to see the debt canceled now, and if it can not be canceled now would be glad to see it canceled when we pay our domestic debt, and that the position of many of them with respect to this is a selfish one, which grows out of large loans that have been made, and that the great financial interests in this country are connected with this loan.

The Secretary of the Treasury believes that, I imagine. Probably the subordinates who represent the Secretary believe it. As I understand, the Senator from Maryland is reflecting that view.

The Senator from Mississippi made the argument that the great source of this clamor for the quick payment of our domestic indebtedness was these very interests that have become so much involved in European finances, in the hope that as soon as this debt of ours is forgiven they will have first claim upon the foreign countries for their obligations, and that the result of that would be the advancement of the price and value of their securities. That is the position he was taking. He was insisting that not only the European Governments would like to have this quick payment of our domestic debt, in the hope of getting a cancellation of their debts at the time of its payment, but he insisted that there are big interests in this country that are insisting upon the same policy, that of quick payment of our indebtedness for this purpose.

He was combating that theory as not being in the interest of the American people, but in the interest of a small coterie of American financiers and capitalists, as not being urged by the American people as a whole, or by a majority of the American people, but by a small body interested in the advancement of the price of their securities, and an increase in the security which they would have for the payment of their debt, by wiping off the first lien, which is held by the United States.



I agree with the Senator from Maryland that he does not stand alone. There are a great many people who have no interest in the cancellation of foreign securities who agree with the Senator from Maryland, those professors to whom he has referred, and a great many who are not professors.

Mr. BORAH. Mr. President—

Mr. BRUCE. I yield to the Senator from Idaho.

Mr. BORAH. I want to ask a question of the Senator from North Carolina. Has the Committee on Finance ever undertaken to make any investigation of the activities of those who are seeking to have cancellation of the foreign debt?

Mr. SIMMONS. None that I know of. I admit that the Senator's view represents a very respectable element of people in this country who are not interested in the selfish way that I have described, but I believe that the main pressure of propaganda that has heretofore existed in favor of the cancellation of this debt and the propaganda that will come as soon as our debt is paid off, to cancel the balance of the obligations due us from foreign governments, has come and will come largely from men who are interested in having our foreign indebtedness forgiven because of the loans they have made to those countries. But I do dissent from the idea that there are any partisan lines upon the question. I think most of the Republicans of the country are opposed to cancellation. I think most of the people of the country who are Democrats are opposed to cancellation.

Mr. WALSH of Massachusetts. Mr. President, does the Senator know that the Republican Party, in its platform of 1926 and 1924, declared against cancellation?

Mr. SIMMONS. No; but I supposed, of course, they did, and I supposed the Democratic Party is against cancellation.

Mr. WALSH of Massachusetts. I find, on examining its platform, that the Democratic Party has not taken any position with reference to cancellation.

Mr. SIMMONS. But I do know that in many States the Democratic Party has taken a stand against it.

Mr. BRUCE. Mr. President, I bear witness to the fact that that is the position which the Senator from Pennsylvania [Mr. REED] has always taken in regard to the controversy. I recall the fact that on one occasion before any settlements were arrived at between the United States and any of our debtors he declared with no little vehemence, not to say heat, upon the floor of the Senate, that the American people were fixedly determined not to cancel one red cent owed us by these debtors.

Mr. REED of Pennsylvania. To the limit of their capacity.

Mr. BRUCE. Though I admit that the memory is a treacherous organ, yet the words of the Senator left the indelible impression on my mind that the Senator did not annex any qualification to his statement that those foreign countries might as well surrender all thought of indulgence on our part, because we would never relieve any of them from one red cent of the indebtedness due us by them.

Mr. REED of Pennsylvania. If the Senator will permit an interruption—

Mr. BRUCE. Certainly.

Mr. REED of Pennsylvania. I think the nature of the case establishes that qualification. No sane man expects them to pay beyond their capacity to pay.

Mr. BRUCE. At that time the Senator's attitude seemed to be that they had unlimited capacity to pay, that they had some sort of Fortunatus's purse or Aladdin's lamp, which would enable them to produce any amount of money that might be necessary for the liquidation of their indebtedness to us.

Mr. REED of Pennsylvania. I am diffident about interrupting the Senator, but perhaps he is willing to have it a colloquy. I think when we remember that in no case, except possibly the case of Great Britain, does the sum we are asking them to pay amount to so much as 5 per cent of what they are now spending on the maintenance of their armies and navies, it must be admitted that we are not extravagant in our request.

Mr. BRUCE. Yes; but they are spending that money largely because the United States of America will not do its duty and become a member of the World Court and the League of Nations and aid them in preserving the peace of the world. There is nothing surprising to me in the fact that the face of the Senator from Pennsylvania wore a peculiarly skeptical look when I suggested the idea that at some time in the future, when our own indebtedness arising out of the World War shall have been paid off, we might, as a matter of international generosity and good feeling, release all those foreign debts. I am bound to say that I am somewhat disappointed myself as to France because it was perhaps during the debate, when the Senator from Pennsylvania made his unyielding declaration, that I took up the cudgels for France

and expressed my opinion that with just a little indulgence from us she would in due time place her head alongside of ours and reach a settlement with us that would be satisfactory to both countries.

At any rate, during the discussion to which I am referring I took the position that we should at least release France from a sufficient amount of her indebtedness to constitute some sort of equivalent for the large sums of money which she had given to us, in addition to the sums of money that she had loaned to us, when we were struggling, with her aid, for our national independence. I was the first person in this body—indeed, I was the first person in Congress, I think, to express the hope that we might be peculiarly generous in our relations as a creditor to France; and I am happy to say that in many different ways—though I was looking for nothing of the sort—I have received highly gratifying evidences of the sensibility on the part of the French people to the position which I took at that time, both in the form of letters and newspaper clippings and in the form of what was said to me orally when I happened to be abroad last year. I can only affirm that what I said I spoke from my heart. Of all the countries in the world there is not one to which we owe such a debt of gratitude as we owe to France.

Mr. REED of Pennsylvania. Mr. President, if the Senator will permit me—

Mr. BRUCE. Certainly.

Mr. REED of Pennsylvania. I myself have not been loath to speak in favor of the French position from time to time when I thought they were right. But when the Senator suggests that we ought to forgive a part of this debt in recognition of aid which France advanced to us during the Revolutionary War, surely he does not forget that although France, under Louis XVI, was one of the great countries of the world, she did not scruple to take from this country payment of every last red farthing of the debt that we owed to her which she had advanced to us in our distress.

Mr. BRUCE. I know, however, that she was a most generous, indulgent creditor. The Senator will recollect that the debt due by us to her was, in part at least, extended for a considerable time before it was finally funded; and she certainly released us from a part of the interest due her by us.

Mr. REED of Pennsylvania. She released us from interest down to 1783 when the treaty of peace was signed, and from then on we paid the interest.

Mr. BRUCE. That is, I think, a correct statement of the facts, but what I had in mind especially was the certainty that France not only made loans to us during the American Revolution but made splendid gifts. I shall never forget that on one occasion, when Benjamin Franklin went to the French minister to ask for a loan, the reply of the minister was, "No; we will not loan you the money. You have a hard campaign ahead of you in the South. You will need all your own resources of every sort to maintain yourself. My king is not willing to make a loan to you, but he will make a gift of the money to you," and he made it.

Mr. BORAH. The Senator ought to state the balance of it. The French minister in substance stated "We can not make a loan at this time because we do not want it known that we are having any part in this controversy."

Mr. BRUCE. No; that was later.

Mr. BORAH. Oh, no; it was not later. If the Senator will look at the record he will find that it was not later.

Mr. BRUCE. I think the Senator is mistaken. I had occasion once to say, in connection with some statement that the Senator made with reference to this matter, that there is such a thing as impromptu eloquence, but there is no such thing as impromptu history.

Mr. BORAH. That is what I am objecting to now.

Mr. BRUCE. My recollection is that the Senator made some statements of that kind at that time with regard to the transaction to which I have referred that were afterwards corrected by that learned don, Dr. John H. Latane, of Johns Hopkins University.

Mr. BORAH. I read his corrections, but I have also read history and I was stating an historic fact.

Mr. BRUCE. The Senator agreed with the corrections?

Mr. BORAH. No; I did not correct him. I stated the historic facts and now undertake to say that the only gifts which were made were made at the time when it was not thought safe to make a loan because it would identify France with the United States.

Mr. BRUCE. The Senator takes issue again with regard to that. The loan I am speaking of was not a loan made at the

time that Beaumarchais was carrying on his commercial operations, but at a later time.

Mr. BORAH. How much was that generous gift?

Mr. BRUCE. It was in those days considered a very great gift.

Mr. SMOOT. It was about a million dollars. I have a statement of every loan that was made and how it was made.

Mr. BRUCE. I forget the exact amount of it. I do not risk at this moment any statement as to its amount, but it was for that time a very great gift and was most gratefully received by our people; so gratefully that it was one of the things that made Benjamin Franklin say, when he was leaving the shores of France, that the American people would never forget their obligations to France.

So, as I said, we owe to France a measure of consideration such as we owe to no other people. All of us should be prepared to say of the French very much what Franklin himself said of them on one occasion. After making some observation he added, "The truth is that I love the French and the French love me." That has with brief interruptions always been our attitude toward France; that we loved the French and that they loved us, and I trust that the time will come when those delightful relations between the two countries will be completely restored.

What I am disappointed about in France, and I should not be the good friend of hers that I am if I did not state it, is that she has not paid as I see it the punctilious regard to her obligations as a nation to us that she should have paid. I think that we were disposed, in the persons of our Debt Commission, to be just as generous to her as she had any right to expect, indeed, perhaps, more generous than she had any right to expect. I think that it has not at all inured to her international credit that she should have been as dilatory—as faltering—as she has been with respect to her pecuniary obligations to us, and I fervently trust that the new political régime in France will commit itself to a different policy from that which has prevailed recently.

The Senator from North Carolina [Mr. SIMMONS] and the Senator from Mississippi [Mr. HARRISON] in their remarks have revealed the idea that there are selfish motives back of this desire on the part of a large portion of the American people that the foreign debts due us should be canceled.

Mr. SIMMONS. The Senator did not understand me to express any such view, did he?

Mr. BRUCE. I know that the Senator did not. He expressly disclaimed it. I have no exception to take to anything that the Senator said. We know that all human motives, individual, national, or international, are an amalgam of selfishness and unselfishness. The motives that took us into the World War were partly selfish and partly unselfish. There could be no grosser injustice than to say that they were wholly selfish; it would be nothing but a foul slander upon our people to affirm that; but they were partly selfish; that is to say, selfish so far as they arose out of natural instincts of self-preservation, and they were in part gloriously unselfish; that is to say, inspired by the genius of our institutions, by our love of liberty, by our devotion to those distinctive principles which have made our country so prosperous, so great, and so renowned; but if there is any selfishness at work in connection with the idea that the indebtedness due by France to us should be released now or hereafter, I say that it is of very limited operation. Of course, there are many sagacious business men in our country—the Secretary of the Treasury, if I am not mistaken, is one—who have always believed from the beginning that, just as an individual creditor sometimes gains by being indulgent with his individual debtor, so the United States of America, in a merely material sense, might gain more by being generous than by being a harsh creditor to our foreign debtors.

There is much to be said for that view. Often, of course, it is the broad view that is the wise view. Undeniably there is a vast volume of disinterested public opinion existing in this country which holds that those debts should be released. It is not asserting itself now, because the matter is practically settled for the present by the debt settlements into which we have entered.

Mr. SIMMONS. Mr. President, may I interrupt the Senator from Maryland?

Mr. BRUCE. Yes.

Mr. SIMMONS. The Senator spoke about the Secretary of the Treasury a few moments ago. I know, of course, the Secretary of the Treasury was in favor of a speedy liquidation of our domestic debt; but I want to ask the Senator from Maryland if he meant to state or to imply a minute or two ago that

the Secretary of the Treasury was now in favor of a cancellation of the foreign indebtedness?

Mr. BRUCE. No; not at all. There is no warrant so far as I know for any such idea.

Mr. SIMMONS. Is the Secretary of the Treasury in favor of such cancellation after our domestic debt shall have been paid?

Mr. BRUCE. No; I have never heard that he entertained any such idea as that; but it is a fact, as the Senator from North Carolina will probably recall, that in one of his interesting papers the Secretary of the Treasury did express the opinion that often, merely as a matter of selfish policy, it is better to be generous with your debtor than too exacting; at least, that is my recollection at this moment. As I have stated, there is a great body of disinterested public opinion in the United States which for a time declared in the most unequivocal terms that there should be a cancellation of those debts; and it is perfectly idle to try to belittle the character of the men who voiced that opinion, because they are among the ablest, the most high-minded, the most useful, the most influential, and the most conspicuous citizens of our country. I am not speaking merely of the circle of learned men connected with our universities who came out in a pronouncement on the subject not very long ago, but I am speaking of thousands of Americans not so conspicuous throughout the length and breadth of our land. In the community in which I live, for instance, I recall the fact that one of the most distinguished of our judges in the city of Baltimore, the Hon. Alfred S. Niles, expressed in a public way the belief that there should be a total cancellation of the foreign debts due us.

He was followed or preceded—I forget which—by Mr. William L. Marbury, who, if not the leader, is among the most distinguished leaders of the Maryland bar. Mr. Marbury took exactly the same position as Judge Niles. My recollection is that the same policy was advocated by the Manufacturers Record, of Baltimore, which is so well known throughout the South and, indeed, in every State of the Union, for that matter. All this now belongs to the past, but I think that there is nothing visionary, nothing speculative, nothing beyond the domain of practical politics in my saying that when our own indebtedness arising out of the World War shall have been extinguished it would be the generous, the magnanimous, the wise, and the proper thing in every respect for this country to cancel all the foreign debts due it.

Of course, if in the meantime France does not arrive at a reasonable basis of settlement with us we should ignore her, but even if she is not fully alive now to what is due to her reputation as a nation it is to be hoped that by that time she will have been fully so and will have entered into a settlement with us that would also then come to an end.

Such are my views. They may be limited to me so far as the United States Senate is concerned, but I not only entertain them but entertain them most strongly.

I have been really discussing what lawyers call a moot question. In no event can the debts due us be paid off under 15 or 18 years from now; and I rather imagine that by that time I shall be paying an individual debt which is of far more consequence to me in a purely personal, selfish sense than any debt that is due by France to the United States. I shall then doubtless have gone where, as the Greeks said, "the most" are. Still, I trust that I may be pardoned for lifting the veil of futurity just a little.

Mr. TYDINGS. Mr. President—

Mr. BRUCE. I yield to my colleague.

Mr. TYDINGS. I ask unanimous consent to have printed in the RECORD, in connection with the foreign-debt discussion, a table which I have prepared showing all the countries of the world, the amount of their defense expenditures for 1927, the amount of foreign securities publicly offered in the United States, the relation which the defense expenditures bear to those securities, the population of the country, the standing armies of each country, showing the men in them and the proportion of men in the standing army to the whole population, the number of reserve forces and the proportion of reserves to the whole population, the total organized forces of the country and their percentage of the total population, also the additional unorganized man power of those countries, and some other information which the table itself will explain, as being worthy, I think, of the attention of the Senate in connection with this matter.

The PRESIDING OFFICER. Without objection, it will be so ordered.

The table referred to is as follows:



Table showing United States loans to nations of the world and the relation of these loans to their defense expenditures and military establishments  
By MILLARD E. TYDINGS

Country	Defense expenditures, 1927	Foreign securities publicly offered in the United States, 1927		Population	Active army			Reserve forces		
		Amount	Per cent of defense expenditures to loans		Number	Population		Number	Population	
						Per cent	One out of each—		Per cent	One out of each—
Albania.....	\$1,840,000			850,000	11,469	1.35	74			
Argentina.....	44,771,000	\$99,561,000	222	10,087,118	33,790	.33	300	290,000	2.87	35
Austria.....	11,220,000	33,887,000	302	6,535,365	32,704	.50	200	(1)	(1)	
Bavaria.....				7,879,594						
Belgium.....	22,729,000	14,130,000	62	7,874,600	71,790	.90	111	689,683	8.80	12
Bolivia.....	3,411,000	12,585,000	369	2,155,000	7,500	.23	434	30,000	.94	106
Brazil.....	53,386,000	56,780,000	106	30,635,605	35,186	.12	833	195,821	.65	154
Bulgaria.....	8,404,000			5,484,143	33,000	.60	166	(1)	(1)	
Chile.....	13,706,000	22,883,000	167	3,937,678	29,760	.70	143	177,000	4.48	22
China.....	297,703,000	10,752,000	3	400,000,000	1,450,000	.34	300			
Colombia.....	7,125,000	68,670,000	964	6,617,833	8,041	.14	714	34,000	.58	173
Costa Rica.....	655,000	1,800,000	280	507,193	318	.06	1,666	37,055	7.30	14
Cuba.....	11,515,000	61,750,000	537	3,418,033	13,722	.41	244			
Czechoslovakia.....	56,973,000	1,500,000	3	13,613,172	140,700	1.03	97	1,489,000	10.94	10
Denmark.....	15,738,000	28,046,000	178	3,419,056	9,177	.27	370	150,000	4.34	23
Dominican Republic.....	1,473,000	5,000,000	341	897,405	2,100	.23	434	25,000	2.79	34
Ecuador.....	1,933,000			2,000,000	5,814	.29	345	25,000	1.25	80
Estonia.....	4,994,000			1,110,538	17,000	1.53	65	27,000	2.43	41
Finland.....	14,467,000			3,495,000	29,700	.85	118	250,300	7.16	14
France.....	269,463,000	50,000,000	18	40,922,300	727,413	1.80	56	4,610,000	11.30	9
Germany.....	127,581,000	222,692,000	175	62,348,782	100,000	.16	625	(1)	(1)	
Australia.....	177,752,000	101,508,000	57	6,103,924	1,697	.03	3,300	49,646	.81	123
Canada.....	13,086,000	319,765,000	2,444	9,504,700	3,499	.04	2,500	61,288	.65	154
Great Britain.....	567,427,000	5,747,000	1	45,226,300	214,190	.47	213	309,251	.68	148
India.....	215,999,000			318,942,480	161,000	.05	2,000	76,481	.02	5,000
Irish Free State.....	11,669,000			2,972,802	13,564	.46	218	4,500	.15	600
New Zealand.....	4,656,000			1,395,815	515	.04	2,500	22,039	1.59	63
South Africa.....	4,490,000			7,481,866	9,450	.13	770	15,000	.20	500
British Empire.....	995,079,000	427,020,000	43	391,627,887	403,915	.10	1,000	538,205	.14	714
Greece.....	25,646,000	2,000,000	7	6,200,000	55,000	.90	111	266,489	4.30	23
Guatemala.....	1,358,000	3,150,000	232	2,119,165	7,794	.32	312			
Honduras.....	928,000			733,408	2,253	.33	303	39,375	5.86	17
Haiti.....	1,299,000			2,045,000	3,144	.15	600	20,000	.98	102
Hungary.....	19,835,000	26,122,000	132	7,980,143	47,000	.60	166	(1)	(1)	166
Italy.....	218,816,000	120,400,000	55	42,115,606	380,448	.90	111	2,990,454	7.10	14
Japan.....	208,245,000	308,647,000	150	86,000,000	210,000	.24	417	2,038,000	2.37	42
Latvia.....	8,927,000			1,844,805	18,000	.98	102	20,000	1.08	92
Lithuania.....	3,989,000			2,011,173	20,000	.90	111			
Liberia.....	125,000			2,035,000	3,300	.16	625	3,500	.17	588
Luxemburg.....	195,000			260,767	338	.13	770			
Mexico.....	38,476,000			14,234,799	76,243	.53	190			190
Netherlands.....	23,651,000	20,716,000	87	7,358,365	18,679	.25	400	330,396	4.46	23
Dutch East Indies.....	44,595,000	156,465,000	351	49,534,618						
Nicaragua.....	219,000	266,059	121	638,119	2,112	.30	333			
Norway.....	11,129,000	29,466,000	265	2,649,775	30,000	1.20	83	315,000	11.90	8
Palestine.....	1,625,000			757,182						
Panama.....		1,500,000		442,522						
Paraguay.....	1,068,000			853,321	2,722	.32	313			
Peru.....	7,222,000	60,000,000	831	5,500,000	14,222	.28	357	20,000	.40	250
Poland.....	74,857,000	47,000,000	63	29,249,000	242,372	.83	120	500,000	1.71	58
Portugal.....	25,916,000			6,033,000	26,200	.43	233	430,000	7.13	14
Rumania.....	44,199,000			17,393,000	266,500	1.53	65	750,000	4.31	23
Russia.....	347,580,000			146,300,000	658,000	.45	200	5,425,000	3.71	24
Salvador.....	1,656,000	3,150,000	190	1,610,000	3,929	.24	417	215,576	13.38	714
Spain.....	85,194,000			21,347,000	272,787	1.28	80	1,330,226	6.23	16
Sweden.....	37,017,000			6,005,759	10,169	.17	590	667,831	11.19	9
Switzerland.....	16,374,000			3,917,800	453	.01	10,000	305,000	7.78	13
Turkey.....	29,910,000			14,000,000	125,000	.89	112	200,000	1.43	70
Uruguay.....	7,134,000			1,662,116	9,300	.57	176	7,000	.43	233
Venezuela.....	3,043,000	10,275,000	337	3,000,000	7,500	.32	313			
Yugoslavia.....	41,346,000	34,085,000	85	12,017,323	142,000	1.20	83	2,050,000	17.00	6
United States.....	679,709,000			118,628,000	137,698	.12	833	296,709	.25	400

Country	Total organized forces					Additional man power (unorganized)	Total military man power	
	Number	Population		Military man power			Number	Per cent of population
		Per cent	One out of each—	Per cent	One out of each—			
Albania.....	11,469	1.35	74	14.00	7.0	70,000	81,469	9.58
Argentina.....	323,790	3.20	31	21.50	5.0	1,180,000	1,503,790	15.00
Austria.....	32,704	.50	200	6.10	16.0	500,000	532,704	8.10
Belgium.....	761,473	9.70	10	70.80	1.4	314,417	1,075,890	13.60
Bolivia.....	37,500	1.17	90	32.00	3.0	80,000	117,500	3.67
Brazil.....	231,007	.77	130	24.00	4.0	737,743	968,750	3.16
Bulgaria.....	33,000	.60	166	4.70	21.0	667,000	700,000	12.70
Chile.....	206,760	5.18	19	32.20	3.0	435,000	641,760	16.23
Colombia.....	42,041	.72	140	14.40	7.0	250,000	292,041	4.75
Costa Rica.....	37,373	7.36	14	74.00	1.4	13,205	50,578	10.00
Cuba.....	13,722	.41	244	6.24	16.0	206,000	219,722	6.52
Czechoslovakia.....	1,629,000	12.00	8	77.40	1.3	475,000	2,104,700	15.50
Denmark.....	159,177	4.61	22	34.23	3.0	300,000	459,177	13.28
Dominican Republic.....	27,100	3.02	33	25.30	4.0	80,000	107,100	11.96
Ecuador.....	30,814	1.54	65	23.50	4.0	100,000	130,814	6.54
Estonia.....	44,000	3.96	25	25.75	4.0	127,000	171,000	15.45

<sup>1</sup> Limited by treaty.

Table showing United States loans to nations of the world and the relation of these loans to their defense expenditures and military establishments—Continued

Country	Total organized forces					Additional man power (unorganized)	Total military man power	
	Number	Population		Military man power			Number	Per cent of population
		Per cent	One out of—	Per cent	One out of each—			
Finland.....	280,000	7.10	14	50.90	2.0	270,300	550,300	15.80
France.....	5,337,413	13.00	7½	88.24	1.1	700,000	6,037,413	14.60
Germany.....	100,000	.16	625	1.15	87.0	8,600,000	8,700,000	13.90
Australia.....	51,343	.84	118	8.55	12.0	548,657	600,000	9.80
Canada.....	64,787	.70	143	7.62	13.0	785,213	850,000	8.90
Great Britain.....	523,441	1.20	83	8.53	12.0	5,612,899	6,136,340	13.60
India.....	237,481	.07	1,428	8.08	12.0	2,700,946	2,938,427	.90
Irish Free State.....	18,064	.60	166	5.01	20.0	342,290	360,354	12.10
New Zealand.....	22,554	1.63	61	17.00	6.0	110,048	132,602	9.50
South Africa.....	24,450	.33	300	3.42	29.0	690,550	715,000	9.50
British Empire.....	942,120	.24	416	8.00	12.0	10,880,603	11,822,723	3.00
Greece.....	321,489	5.20	19	53.58	2.0	278,511	600,000	9.70
Guatemala.....	7,794	.32	313	5.87	17.0	125,000	132,794	5.41
Honduras.....	41,628	6.19	16	64.44	1.5	22,925	64,553	9.59
Haiti.....	23,144	1.13	90	10.37	10.0	200,000	223,144	11.00
Hungary.....	47,000	.60	166	6.10	16.0	723,000	770,000	9.60
Italy.....	3,370,902	8.00	12½	62.75	1.6	2,000,000	5,370,902	12.60
Japan.....	2,248,000	2.60	40	30.35	3.3	5,092,000	7,340,000	8.50
Latvia.....	38,000	2.05	48	15.77	6.3	203,000	241,000	13.00
Lithuania.....	20,000	.90	111	6.66	15.0	280,000	300,000	13.45
Liberia.....	6,800	.33	300	6.37	15.0	100,000	106,800	5.25
Luxemburg.....	338	.13	770	.86	116.0	39,000	39,338	14.50
Mexico.....	76,243	.53	190	5.97	17.0	1,200,000	1,276,243	8.96
Netherlands.....	349,075	4.71	21	48.55	2.0	370,000	719,075	9.69
Dutch East Indies.....	2,112	.30	333	3.16	31.0	64,638	66,750	9.54
Nicaragua.....	345,000	13.00	7½	85.18	1.2	60,000	405,000	15.70
Norway.....	345,000	13.00	7½	85.18	1.2	60,000	405,000	15.70
Palestine.....	2,722	.32	313	4.72	21.0	35,000	35,000	7.85
Panama.....	34,222	.68	148	30.00	3.3	55,000	57,722	6.76
Paraguay.....	742,372	2.54	40	27.07	3.7	80,000	114,222	2.28
Peru.....	456,200	7.60	13	47.71	2.1	2,000,000	2,742,372	9.40
Portugal.....	1,016,500	5.84	18	63.53	1.6	500,000	956,200	15.80
Rumania.....	6,083,000	4.16	24	50.04	2.0	583,500	1,600,000	9.20
Russia.....	219,505	13.62	7	100.00	1.0	6,072,000	12,155,000	8.00
Salvador.....	1,603,013	7.51	13	67.89	1.5	219,505	2,361,047	13.62
Spain.....	688,000	11.36	9	92.00	1.1	758,034	2,361,047	11.20
Sweden.....	305,453	7.79	13	57.00	1.8	60,000	748,000	12.37
Switzerland.....	325,000	2.32	43	49.62	2.0	297,000	602,453	15.37
Turkey.....	16,300	1.00	100	9.90	10.0	340,000	665,000	4.70
Uruguay.....	7,500	.32	313	8.80	11.4	149,000	165,300	10.79
Venezuela.....	2,192,000	18.20	5½	100.00	1.0	78,500	86,000	3.66
Yugoslavia.....	434,407	.37	270	1.87	53.5	22,816,681	2,192,000	18.20
United States.....	434,407	.37	270	1.87	53.5	22,816,681	23,251,088	19.60

Mr. KING. Mr. President, will the Senator yield?

Mr. BRUCE. In one moment; let me make just one remark, and then I will gladly yield to the Senator. I merely wish to say that I hope that those figures buttress up the conclusions which I have reached, among other reasons, because it is a fact, if not known to all the Members of the Senate yet known to me and to the people of Maryland and to the members of the American Legion throughout the country, that one of the American soldiers who bore with the very highest degree of gallantry the burdens of the World War was my colleague, Mr. TYDINGS, who has just produced those figures. Beginning in the American Army as a private in a machine-gun company, he rose by his splendid gallantry and rare intelligence to be a lieutenant colonel at the close of the war.

Now I yield to the Senator from Utah.

Mr. KING. I want to ask the junior Senator from Maryland whether, in the tables he has presented, he has shown that for the next fiscal year the United States has appropriated substantially \$800,000,000 for the Army and the Navy, and that there is before us a bill, which will probably pass, calling for an appropriation of \$300,000,000 more for new construction—

Mr. WALSH of Massachusetts. Naval construction.

Mr. KING. Naval construction; and probably another bill will pass for modernization, adding from twelve to twenty-five million dollars.

Mr. TYDINGS. In answer to the Senator's question, I will say that at the time this table was prepared it showed that the United States for the year 1927—the year taken in all countries—had appropriated \$679,709,000 for military defense purposes. I have not added the figures of 1928 to that, because I took the same year for every country in the world in order that the figures might be comparable.

Mr. KING. I want to say to the Senator that we are emphasizing our desire for peace and supporting in a magnificent way the efforts of the Secretary of State for peace, by the President recommending an appropriation of \$740,000,000 for

the Navy for new construction, and appropriating for the Army and the Navy substantially \$800,000,000 this year, and at least \$300,000,000 for new construction; so that we are contributing materially to world peace by appropriating this year and authorizing substantially \$1,000,000,000 for the Army and the Navy.

Mr. REED of Pennsylvania. Mr. President, does not the Senator think that the probability of peace in Washington is increased by every additional policeman that is put on the force?

Mr. KING. Mr. President, if the Senator means to imply by that—

The PRESIDING OFFICER. Does the Senator from Maryland yield; and if so, to whom? The Senator from Maryland has the floor.

Mr. KING. I beg the Senator's pardon.

Mr. BRUCE. I do not want to be too chary of my privilege; I simply wish to tell the Senator from Utah, my friend Mr. Smoot, who has done me the honor to listen to me so patiently another story illustrating just what sort of treatment we might have received if the spirit of Bismarck had had its way at the close of the World War.

This story was told to me some years ago by a friend of mine who heard it in Germany. I do not think that it has ever crept into print. When Bismarck had his interview with the representative of the French Government—I forget just at the moment who it was, whether it was Olivier or not; probably the Senator from Pennsylvania can tell me—for the purpose of fixing the terms of the French indemnity, and mentioned the amount that he required, Olivier, or whoever it was, replied, "Why, do you realize that a man attempting to count such a sum of money as that could hardly count it all if he had been counting from the birth of Christ down to the present day?" Turning to a man of Jewish descent, a skillful accountant that he had brought along with him, Bismarck rejoined, "Oh, yes; but I have been so prudent as to bring along with me a fellow whose ancestors were counting money long before the birth of Christ."

Mr. TYDINGS. Mr. President, I should like to say, in further answer to the question asked by the Senator from Utah, that



France is shown to have a standing army of 727,413 men. That is, one out of every 56 men, women, and children in that country is in the active standing army.

Italy has a standing army of 380,448 men—one out of every 111 men, women, and children in that country.

Spain has a standing army of 272,787 men. One out of every 80 citizens is in the active standing army.

Rumania has a standing army of 266,500 men. One out of every 65 people in Rumania is in the standing army.

As this table will show, if Senators will look at it, all of these countries are borrowing tremendous sums from the United States, and are not scaling down their military establishments; so that to some degree, at least, we are financing the standing armies of the entire world with American capital.

Mr. GERRY obtained the floor.

Mr. SMOOT. Mr. President, will the Senator yield?

Mr. GERRY. I yield to the Senator from Utah.

Mr. SMOOT. I submit a proposed unanimous-consent agreement, which I send to the desk and ask to have stated. I will say to Senators that it went over this morning because the Senator from North Carolina [Mr. SIMMONS] was not in the Chamber. The Senator from North Carolina has returned, and he has no objection to the proposed agreement.

Mr. GERRY. The Senator from North Carolina has no objection to it?

Mr. SMOOT. None whatever.

The PRESIDING OFFICER. The proposed unanimous-consent agreement will be stated.

The Chief Clerk read as follows:

It is agreed by unanimous consent that when the Senate has completed its consideration of H. R. 1, the pending revenue bill, the Secretary be authorized—

(1) To make necessary changes in numbers and letters in all headings and subheadings and in any cross references thereto.

(2) To strike out or correct cross references that have become superfluous or erroneous, and to insert cross references made necessary or convenient by reason of changes made by the Senate.

(3) Where amendments adopted to the bill do not conform in style, typography, and intention to the style of the bill as printed, to make such corrections as may be necessary to produce such conformity.

(4) To make such changes in the table of contents as are necessary to make it conform to the action of the Senate in the remainder of the bill.

Mr. JOHNSON. Mr. President, before that agreement is adopted, will the Senator from Utah kindly tell me what is meant by the expression "changes in style"? Does that mean in the make-up or in the phraseology?

Mr. SMOOT. We can not tell just exactly what minor amendments may be made in the wording.

Mr. JOHNSON. I am not objecting to it, but I am asking for information. Is it the purpose of the committee to have the Secretary rewrite the English where it is essential?

Mr. SMOOT. Oh, no. For instance, we will take the first section of the bill: If there is one amendment in that section, it may have to be carried on in three or four sections to carry out the meaning of the first section. This is the same unanimous-consent agreement that has been made heretofore.

Mr. JOHNSON. I am not objecting, but the word struck me from my old college days, when English was insisted upon and style was required; and I did not know whether the Senator from Utah was insisting upon a particular style in the financial bill or not.

Mr. SMOOT. I assure the Senator I was not.

Mr. JOHNSON. Very well.

The PRESIDING OFFICER. Is there objection to the proposed unanimous-consent agreement?

Mr. KING. Mr. President, I shall not object to the unanimous-consent request, but the point made by the Senator from California attracted my attention this morning.

Mr. SMOOT. I will say to the Senator that I have no objection to striking out the word "style"; but I was following the example that has been set in the past.

Mr. KING. I understand; and my understanding has been that in the past, where there was any verbal change made, it was called to the attention of Senators.

Mr. SMOOT. The Senate will have to act upon these changes.

Mr. KING. I know that the Senator from Pennsylvania [Mr. REED] and myself, when the last tax bill was under consideration, in consultation with representatives of the bureau, went over these amendments and changes; and when there was any textual change I am sure that it met the approval of the Senator from Pennsylvania and myself, and, if it was at all material, we called the attention of the committee to it. I presume the same policy will be pursued with respect to this matter; so I have no objection.

Mr. SMOOT. I will go farther than that, and advise the Senate now that if at any time they want to reopen any question involved in this unanimous-consent agreement, I will agree to it freely.

The PRESIDING OFFICER. Without objection, the modified unanimous-consent agreement is entered into.

#### INDEPENDENT OFFICES APPROPRIATIONS

Mr. WARREN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Rhode Island yield to the Senator from Wyoming?

Mr. GERRY. Is this for the submission of a conference report?

Mr. WARREN. A conference report.

Mr. GERRY. I am very glad to yield, if it does not take me from the floor.

The PRESIDING OFFICER. The Chair lays before the Senate a message from the House of Representatives, which will be stated.

The Chief Clerk read as follows:

IN THE HOUSE OF REPRESENTATIVES, UNITED STATES,

May 3, 1928.

*Resolved*, That the House recede from its disagreement to the amendment of the Senate No. 4 to the bill (H. R. 9481) entitled "An act making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1929, and for other purposes," and concur therein.

That the House recede from its disagreement to the amendment of the Senate No. 1, and concur therein with an amendment as follows:

In line 1 of the matter inserted by said amendment, after the word "duties," insert the words "and powers."

That the House recede from its disagreement to the amendment of the Senate No. 10, and concur therein with an amendment as follows:

In line 8 of the matter inserted by said amendment, after the word "That," insert the following: "after such reconditioning."

That the House recede from its disagreement to the amendment of the Senate No. 11, and concur therein with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: "\$13,688,750: *Provided*, That of the sums herein made available under the United States Shipping Board, not to exceed an aggregate of \$350,000 shall be expended for compensation of regular attorneys employed on a yearly salary basis and for fees and expenses of attorneys employed in special cases."

That the House further insists on its disagreement to the amendments of the Senate Nos. 7, 8, and 9.

Mr. WARREN. Mr. President, I present the conference report on the independent offices appropriation bill, and I will then ask to make one or two changes, which will complete the agreement of the two branches.

Mr. WALSH of Massachusetts. Mr. President, will the Senator from Wyoming answer a question, please?

The PRESIDING OFFICER. Does the Senator from Rhode Island yield to the Senator from Massachusetts?

Mr. GERRY. I do.

Mr. WALSH of Massachusetts. May I ask the Senator from Wyoming in what condition the appropriation for the reconstruction of the *Mount Vernon* and *Monticello* has been left in the report?

Mr. WARREN. I think there are two or three words included since the bill passed the Senate. We will come to that if we can get the report adopted.

Mr. WALSH of Massachusetts. Has the amount originally appropriated been retained?

Mr. WARREN. It is the same amount.

Mr. KING. I think we had better have a chance to examine it before we agree to it.

The PRESIDING OFFICER. The Senator from Wyoming presents a report, which will be read.

The Chief Clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9481) "making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1929, and for other purposes," having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 3, 5, 12, 13, and 14.

That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same.

Amendment numbered 6: That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment, insert the following:

"of which \$1,000,000, or so much thereof as may be necessary, may be used for reconditioning and operating ships for carrying coal to foreign ports"; and the Senate agree to the same.

The committee of conference have not agreed on amendments numbered 1, 4, 7, 8, 9, 10, and 11.

F. E. WARREN,  
REED SMOOT,  
W. L. JONES,  
LEE S. OVERMAN,  
CARTER GLASS,

*Managers on the part of the Senate.*

WILL R. WOOD,  
EDWARD H. WASON,  
THOMAS H. CULLEN,

*Managers on the part of the House.*

Mr. WARREN. I move the adoption of the conference report.

Mr. KING. I wish the Senator from Wyoming would tell us what changes have been made from the bill as it passed the Senate in the items on which the Senate has receded.

Mr. WARREN. Some of the changes were reported before, and in order to get an agreement it required the changing of a few which I will send to the desk. What has the Senator in mind as to the changes?

Mr. KING. I have not the bill before me, and I do not recall. I am merely asking the Senator to explain the changes from the text as the bill passed the Senate, where the Senate has receded.

Mr. WARREN. The text as it passed the Senate was changed, for instance, in the Shipping Board in three or four different places, and comes back to us with two or three of those matters standing as they did, and the others with amendments suggested which I propose to offer now, before we complete the consideration of the report.

Mr. KING. Does this involve the amendment which was offered by the Senator from Alabama [Mr. BLACK]?

Mr. WARREN. It does. I have explained that to the Senator from Alabama, and I think it is satisfactory to him. The changes are that the salaries are left as they were; but the total amount, which covers both salaries and fees and expenses of all kinds, is in another lump, very considerably smaller, as the Senator from Alabama—who, I see, is on his feet—will tell the Senator.

Mr. BLACK. Mr. President, if I may make a statement with reference to that matter, the two amendments which were agreed to by the Senate had two objects. One of them was to limit the fees to be paid to the attorneys to \$10,000. The House declined to accept that amendment. The other amendment provided for a reduction of \$150,000 in the total amount paid for attorneys' fees during the next year. The House accepted a reduction of \$70,000, which means a saving on attorneys' fees of \$70,000.

Personally, I do not think that is enough. I think the amendment as agreed to by the Senate left ample funds for the operation of the legal department; but I do not think the difference is sufficient to hold up further at this time the conference report on this bill. I give notice, however, that when the next appropriation bill comes up I desire to see that the matter is presented to the Appropriations Committee and a thorough investigation made, in order that there may be made a still further and radical reduction, so as to get this department down somewhere near the basis on which it ought to be; and I understand that the various members of the Appropriations Committee will be glad to go into the matter fully when it is again presented. For that reason I do not object to accepting the conference report.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

Mr. WARREN. Mr. President, I move that the Senate agree to the amendments of the House to the amendments of the Senate numbered 1, 10, and 11, and that the Senate recede from its amendments numbered 7, 8, and 9.

Mr. LA FOLLETTE. Mr. President, I am not sufficiently familiar with the bill to discuss any but one amendment adopted by the Senate upon which the Senator from Wyoming now moves that the Senate recede. That is an amendment offered by me to provide for the abolition of the sea service bureau maintained and operated by the Shipping Board.

The sea service bureau was created during the war as a recruiting and training agency for the enormously expanded shipping facilities of the United States occasioned by our entry into the war. It has been maintained since that time, and the evidence is practically conclusive that the service is taken advantage of only by the Shipping Board for the operation of its

vessels. There is an enormous turnover in the men who are employed by the sea service bureau, and the evidence is conclusive that the expenditure of this sum of money, which varies from three hundred to three hundred and fifty or four hundred thousand dollars a year—

Mr. WARREN. It is now \$120,000.

Mr. LA FOLLETTE. The Senator from Wyoming informs me that it has now been reduced to \$120,000. The conference report was presented in the House on yesterday amid the confusion of the debate on the McNary-Haugen bill in the House. I am informed by Members in the House who were specifically interested in the amendment which I am now discussing that they had been advised that they would be notified when the conference report was to come up in the House, but such notice was not given to them, and at least in two instances I know of members who were upon the committee of the House investigating the Shipping Board, and who were very much opposed to the continuance of the sea service bureau, were not notified that the conference report would be taken up for consideration and were not present in the House.

Therefore I am satisfied, from such investigation as I have been able to make, that the adoption of the conference report on the part of the House did not give any opportunity to those who were interested in a number of these amendments, and in this amendment in particular, to be heard in the House. Therefore I hope that the motion of the Senator from Wyoming, in so far as it affects amendment No. 9, will not be agreed to.

Mr. WARREN. Mr. President, the Senator must remember that it would be pretty hard for us to keep track of the four hundred and thirty-odd Members of the House and keep them in attendance on every occasion. Reading the RECORD, there is nothing to show that there was other than the regular course followed in the handling of this conference report. We struggled in conference over this item; it was one of the things the House conferees would not agree to, and, of course, in order to save it we did not yield, but asked the House conferees to take it back to the House and get the opinion of the House on it. It did not pass in the House, and all that would be left to us would be to take the matter up again and go against the same stone wall again.

I would like at this time to have read at the desk a communication from the president of the Shipping Board in regard to this matter. It is a question to which we have given a great deal of attention and on which we have put a great deal of hard work.

The PRESIDING OFFICER. The clerk will read.

The Chief Clerk proceeded to read, and read as follows:

With reference to H. R. 9481, independent offices appropriation bill, which carried the following amendment:

"No part of the funds of the United States Shipping Board or the United States Shipping Board Merchant Fleet Corporation shall be available for the maintenance of a sea service bureau."

I wish to submit the following outline of the functions of the sea service bureau, which will show why it should not be discontinued:

The sea service bureau of the United States Shipping Board is a section of the bureau of operations. This bureau was organized June 20, 1917, at which time the principal duty was to place officers and men who had graduated from the navigation and engineering schools as well as the unlicensed personnel which were trained by various colleges and school ships conducted under the supervision of the United States Shipping Board.

When this bureau was organized we had 90 per cent aliens aboard the American flagships. The report for the period ending June 30, 1927, shows that we have 87.2 per cent Americans in the merchant marine service.

Very few changes have been made in the personnel of this bureau. This alone shows the efficiency and splendid results that have been obtained by keeping our organization together.

The principal work of the section is to Americanize the merchant marines, place the best competent men aboard the ships, and aid foreigners who are desirous of becoming citizens of the United States of America. The sea service bureau slogan is "American seamen for American ships."

Mr. WARREN. I want special attention given to two or three passages. It would seem as if in what they are doing the bureau is working in the right direction.

The Chief Clerk resumed and concluded the reading, as follows:

The sea service bureau have their own medical department in New York City, Baltimore, and New Orleans, where the physical examination of seamen is conducted prior to being assigned to a vessel. The examining of seamen has a dual purpose. We acquaint the seamen of their physical condition and at the same time we are having seamen on our ships that are physically fit. The saving alone on the



claims against the ships more than pays for the expense of the operating of the whole sea service bureau section. In ports where we do not maintain our own medical staff arrangements have been made with the United States Public Health Service to carry on the physical examinations when requested to do so by the master of the vessel.

A complete record is kept on file in the various agencies showing each seaman's name, address, next of kin, age and description, name of last vessel on which employed, discharge markings as to ability, conduct, seamanship, etc. In fact, the record of each seaman is complete from the time of his first position on a Shipping Board ship.

Thousands of letters are received annually from interested American youths in every section of the United States who desire to enter the sea profession, and it is the aim of every local agency of the sea service to encourage these American youths to follow the sea as a livelihood. During the past year 1,170 inexperienced boys between the ages of 18 and 23 years have been given an opportunity to go to sea. They were rated as deck boys and paid \$25 per month.

Upon the officers of our ships is imposed the duty of training these boys. The groundwork being of the highest importance, they are required to train the boys in seamanship, cargo work, rope work, maintenance of ship's structure, and expenditure of stores; in short, in the care and upkeep of the modern steamship, as well as in navigation. The boy advances as he shows proficiency in his primary training. It is not too much to say that the schooling of these deck boys may prove an important factor in the ultimate success of the American merchant marine. A large percentage of them are now on their way to development as efficient officers.

The sea service section is the only official agency in the United States which offers an opportunity to young Americans who are desirous of entering the sea life and serving on the ships of the American merchant marine to secure the requisite training which will qualify them to fill even the most unskilled positions aboard ship.

It should ever be borne in mind the lesson taught by the late war, when the greatest question before the country was how to get ships and men to man them, when the large number of alien seamen then employed on American ships refused to man our ships on voyages through the war zone, but instead sought safety on coastwise runs or retired entirely from the sea until after war was over, making it necessary to man such ships with untrained young Americans, where possible, or, in a large number of cases, tying up the ships entirely until American youths could be trained to man them, thus crippling the country's resources because of its lack of a trained body of American seamen.

The shipping interests of foreign nations are resorting to every practice to cripple the American merchant marine, and actual experience has proved that the subjects, or former subjects, of these countries who are now employed on American ships, discriminate, whenever possible, against the young Americans who work with them, and are attempting in every conceivable way to drive these Americans off the ships. Unless the Shipping Board continues to assist more young Americans to go to sea and replace this element they will ultimately be successful in their efforts and the American merchant marine will be manned solely by men of foreign birth as it was prior to the establishment of the sea service section by the United States Shipping Board.

The sea service section makes no discrimination as to whether or not the seaman belongs to a labor organization. The local managers of the section are chiefly men who have followed the sea prior to taking up this work. They have therefore a complete knowledge of the likes and dislikes of the sailor and are fully competent to place the best men available in the various ratings.

The per capita cost of placing seamen is somewhat higher than the average cost for last year because of a substantial decrease in the number of men placed. This smaller turnover is due to careful selections made, and shows that the men are becoming better satisfied with their employment. While an increase is indicated in the cost of placements, there is at the same time a decrease in the operating expenses of the ships.

All matters pertaining to the now extinct sea training bureau, navigation and engineering schools, sea-training ships, etc., are kept in this office and are referred to very often by the various departments of the Shipping Board and Fleet Corporation, as well as by civilians who were interested at the time of the World War.

The cost of operating the sea service bureau is \$120,000 per annum. Should this bureau be abolished the cost of manning our ships will far exceed this figure, with no assurance of obtaining efficient American crews.

Letters from the following organizations have been received protesting against the discontinuance of the sea service bureau:

Letter dated—

February 27, 1928: The American Red Cross, New York City.

February 27, 1928: United States Veterans' Bureau, New York City.

February 27, 1928: State of New York department of labor, New York City.

February 28, 1928: The Salvation Army, New York City.

February 28, 1928: Pacific Steamship Co., Seattle Wash.

March 1, 1928: Civitan Club of Baltimore, Md., Baltimore, Md.

March 1, 1928: Kiwanis Club of Portland, Oreg., Portland, Oreg.

March 1, 1928: Baltimore Association of Commerce, Baltimore, Md.

March 1, 1928: Chamber of Commerce, Boston, Mass.

March 6, 1928: American Marine Mutual Association of Masters, Mates, and Pilots, Boston, Mass.

March 6, 1928: Chamber of Commerce, Seattle, Wash.

March 6, 1928: Grays Harbor Stevedore Co., Aberdeen, Wash.

March 7, 1928: Society for Prevention of Cruelty to Children, New York City.

March 8, 1928: Hampton Roads Maritime Exchange, Hampton Roads, Va.

March 8, 1928: Newport News Shipbuilding Co., Newport News, Va.

March 8, 1928: Chamber of Commerce, Norfolk, Va.

March 12, 1928: Chamber of Commerce, Savannah, Ga.

March 13, 1928: Marine Engineers' Beneficial Association, Boston, Mass.

March 13, 1928: Chamber of Commerce, Portland, Oreg.

#### UNITED STATES SHIPPING BOARD SEA SERVICE BUREAU.

Mr. GERRY. Mr. President, I understand that this conference report will lead to a good deal of debate. I yielded to the Senator from Wyoming with the understanding that there was not going to be any debate upon it.

Mr. WARREN. So far as I am concerned, I have nothing further to say.

Mr. GERRY. But I understand that the Senator from Wisconsin has. I would like to go on with my speech.

Mr. LA FOLLETTE. It was not my fault that the Senator from Rhode Island permitted this matter to come up, and I do not propose to have this amendment disposed of without some debate. Nor do I propose to delay the consideration of the conference report. Nevertheless, I am not satisfied to have the Senate register its opinion with regard to this amendment after hearing a self-serving statement by the president of the Shipping Board, which has just been read into the RECORD. If the Senator from Rhode Island desires to proceed, then I suggest to the Senator from Wyoming that he lay the conference report aside, and we will take it up to-morrow.

Mr. GERRY. I do desire to proceed, and I ask for recognition by the Chair.

Mr. WARREN. I do not want to let this matter go over until to-morrow, but I will be very glad to lay it aside until the Senator from Rhode Island, who was kind enough to yield to me, shall have concluded whatever he may have to say. I will wait and take up the matter further after he shall have finished.

#### TAX REDUCTION

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 1) to reduce and equalize taxation, provide revenue, and for other purposes.

Mr. GERRY. Mr. President, it is very apparent, from the debate that has taken place to-day, that the Senate has recognized the feeling of business in this country, and not only its feeling but that of the average taxpayer, that we should do something more in tax reduction than has been done. The time has come when we should have a better policy in regard to the funding of our debt.

The Treasury experts in the past have been very conservative, to say the least. I do not blame them for being conservative to a certain extent, because naturally they want their estimates to be such that there shall be no deficit; but from the figures which I have here, it is very apparent that the Treasury's estimates for the taxable years have been so conservative that they have been of little value to the Committee on Finance.

For example, in August, 1921, the Secretary of the Treasury, before the Ways and Means Committee, estimated that for the fiscal year ending June 30, 1922, there would be an excess of expenditures over receipts of \$336,000,000 and over. As an actual fact, instead of a deficit in that year, there was a Treasury surplus of \$313,000,000 and over. The estimate for 1922 was therefore in round figures, \$650,000,000 too low.

If a mistake like that had been made in only one year it could be explained, or an attempt made to explain it; it could be said that this thing and that happened. But every year the estimates have erred in practically the same way, and we always have an explanation instead of an accurate estimate.

Let us take the next year. In January, 1924, again before the Ways and Means Committee, the Undersecretary of the Treasury placed the estimated surplus for the year 1924 at \$329,000,000. The actual surplus was over \$505,000,000. This time the Treasury came a little closer, but again they were too low by \$176,000,000.

In 1925, before the Ways and Means Committee, the Secretary of the Treasury estimated the surplus for the fiscal year

1925 at \$290,000,000. The actual surplus was \$377,000,000, a very much closer estimate than the ones theretofore made, but even then about \$100,000,000 out.

In 1927 the surplus was placed at \$250,000,000 to \$300,000,000, while as an actual fact it turned out to be the amazing sum of \$635,000,000. The Treasury's guess then was \$325,000,000 too small, and to show how little the situation was understood the Finance Committee had a specially called meeting, as I recollect, and the corporation tax was increased from 12½ to 13½ per cent.

The minority leader on the Finance Committee, the Senator from North Carolina [Mr. SIMMONS], and other minority members of the committee, argued with the majority that the Treasury estimate was not correct, that the experts whom they had consulted stated that the estimates were not correct, and that there was no necessity for putting the extra tax on the business of the country. The vote in the committee I have not before me, but the minority members, I think, were unanimous in opposing the increase and fought it vigorously on the floor of the Senate. This year, in the bill now before us, the majority members are asking a decrease in the corporation tax to 12½ per cent; in other words, simply taking off the additional amount which they put on in the last revenue bill.

The Senator from Utah [Mr. SMOOT], in submitting the majority report of the committee to the Senate, estimated that the surplus will be \$400,000,000, but he also goes further and says that in 1929 the surplus will be only \$212,000,000, and therefore he feels that it is unsafe to reduce our taxes by more than a little over \$200,000,000.

Frankly, I am surprised at as conservative a Senator as is the Senator from Utah recommending a tax cut which will, according to his estimate, be within \$7,000,000 or \$8,000,000 of what he estimates the surplus will amount to. That is very close figuring unless in the back of his head he has a subconscious feeling that the estimate of the Treasury which he has submitted for 1929 will be as far above the amount he gives as the past estimates have proven to be above the estimates in past years. I can not help feeling that he must have some idea of this sort; otherwise I do not believe he would venture so close to the margin.

Mr. President, the minority members of the committee feel that the Treasury estimates are too low, as I have stated; that there will be a greater surplus and that it will be safe to reduce the taxes of the country in the amount to which we will try to reduce them in the amendment which the ranking minority member of the committee, the Senator from North Carolina [Mr. SIMMONS], will offer when the time comes.

But apart from that the minority members of the committee feel, I think very unanimously, that there is another matter which we must now meet in all questions of tax reduction, in all questions regarding estimates for the coming year. I refer to our policy with reference to the payment of foreign debts. I do not think the country realized, although the Finance Committee did and discussed it somewhat when the last tax bill was before the committee, the vast amount of money that is going to refund our indebtedness, to pay off the obligations which the Government incurred during the war, both for itself and for the amounts which we loaned our allies.

In 1920 we passed the original debt funding act, and for the convenience of the Senate I am going to place a portion of it in the RECORD so that Senators may understand more clearly exactly how the sinking fund is worked:

The sinking fund and all additions thereto are hereby appropriated for the payment of such bonds and notes at maturity, or for the redemption or purchase thereof before maturity by the Secretary of the Treasury at such prices and upon such terms and conditions as he shall prescribe, and shall be available until all such bonds and notes are retired.

In other words, the sinking fund continues in effect until the bonds and notes are paid off.

The average cost of the bonds and notes purchased shall not exceed par and accrued interest. Bonds and notes purchased, redeemed, or paid out of the sinking fund shall be canceled and retired and shall not be reissued. For the fiscal year beginning July 1, 1920, and for each fiscal year thereafter, until all such bonds and notes are retired there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, for the purposes of such sinking fund, an amount equal to the sum of (1) 2½ per cent of the aggregate amount of such bonds and notes outstanding on July 1, 1920, less an amount equal to the par amount of any obligations of foreign governments held by the United States on July 1, 1920, and—

Mr. SIMMONS. Mr. President, will the Senator tell me whether he is not now reading the law?

Mr. GERRY. Yes; I am

Mr. SIMMONS. Will the Senator object to my sending to the clerk's desk and having read an amendment dealing with that very subject, and for the purpose of requiring payments made by foreign governments, both upon principal and interest, to be covered into the sinking fund, thereby reducing to that extent every year the amount that will have to be raised by taxation? I would like to have it appear in this connection in the Senator's speech.

Mr. GERRY. I shall be very glad to have that done.

Mr. SIMMONS. I send the amendment to the desk and ask that it may be read, and I give notice that I shall offer it at the proper time.

The PRESIDING OFFICER. The amendment will be read. The legislative clerk read the amendment, as follows:

At the proper place in the bill insert a new section to read as follows:

"Sec. —. Liberty bond sinking fund: (a) Subdivision (a) of section 6 of the Victory Liberty loan act is amended by adding at the end of the first paragraph thereof a new sentence to read as follows: 'In the fiscal year beginning July 1, 1928, and in each fiscal year thereafter, payments (whether in money or in other property) received during such year from foreign governments in respect of their obligations held by the United States, and the proceeds received during such year from the sale of any such obligations, shall first be applied against the appropriation made by this section for such year, and any excess shall be applied as otherwise provided by law.'

"(b) This section shall take effect on July 1, 1928."

The PRESIDING OFFICER. The amendment will be printed and lie on the table.

Mr. GERRY. I had just read the requirements of the statute for an amount equal to 2½ per cent, less an amount equal to the par amount of any obligation of foreign governments held by the United States on July 1, 1920; in other words, they take the amount of our own indebtedness and then deduct the amount of the obligation of foreign governments, and of that remaining sum they compute an amount of 2½ per cent, which is the sum that is paid from the revenue of the United States into the sinking fund.

2. The interest which would have been payable during the fiscal year for which the appropriation is made on the bonds and notes purchased, redeemed, or paid out of the sinking fund during such year or any previous years.

In other words, after bonds and notes are redeemed by the sinking fund, the Government still continues to pay into the sinking fund the amount of the interest due on those securities. The result of that is that it makes the sinking fund pyramid like compound interest.

If we study the figures we shall find how the sinking fund keeps on swelling until in a very few years to come it will amount, I think, to something like \$750,000,000 annually.

As an example of how the sinking fund increases, I have a table here which shows that in 1927, "on account of sinking fund," the amount was \$333,528,400. For 1928 the amount is estimated at \$353,221,424.

Mr. REED of Pennsylvania. Mr. President, will the Senator from Rhode Island permit an interruption? If he wants the exact figures at that point I happen to have them.

Mr. GERRY. I shall be very glad to yield to the Senator from Pennsylvania for that purpose.

Mr. REED of Pennsylvania. The exact amount is \$354,741,300.

Mr. GERRY. Is that for 1928?

Mr. REED of Pennsylvania. That is for the fiscal year 1928.

Mr. GERRY. Yes; and for 1929 my figures are \$369,209,094.

Mr. REED of Pennsylvania. Necessarily, the amount is hard to calculate at this time because of the uncertainty as to the amount of interest on the securities in hand, but it will be about that amount.

Mr. GERRY. I say to the Senator from Pennsylvania that Mr. McCoy furnished me with the figures I am stating, and I presume they are very accurate, as Mr. McCoy's figures always are.

Mr. President, besides that the sinking fund has additional items that go to make it up. There are "purchases from foreign repayments," "received from foreign governments," "purchases from franchise-tax receipts (Federal reserve and Federal intermediate credit banks)," "forfeiture gifts," and so forth. So that last year the sinking fund amounted to over \$519,000,000.

I have a table here which I shall read. It shows that from 1920 to 1927, inclusive, the public debt has been decreased from the following sources:



Sinking fund	\$2, 074, 080, 950
Foreign repayments	306, 130, 350
Bonds received in debt settlements	663, 646, 700
Estate tax received in bonds and notes	66, 088, 000
Franchise-tax receipts	149, 023, 696
Miscellaneous	11, 914, 071
From surplus	2, 692, 108, 044
From decrease in general-fund balance	1, 017, 607, 417
Total	6, 972, 599, 228

So a debt amounting roughly to twenty-five and a half billion dollars has been reduced to eighteen and a half billion dollars. It is estimated that by the operations of the sinking fund alone, leaving out the application of the surplus, such as the \$400,000,000 that was paid into it this year, at the present rate the entire remaining amount of our national indebtedness, approximating eighteen and a half billion dollars, will be paid off in from 21 to 22 years. Of course, if we go on paying off the debt at the rate we did last year, which was something like \$900,000,000, it will be paid off even more quickly.

The chambers of commerce of the United States are much alive to the conditions that exist and have been protesting vigorously through their organization to the Congress that we are not reducing taxes with sufficient rapidity, and that the sinking fund condition should be remedied. Apart from the question of tax reduction, it seems to me that we are confronted with a very important policy that should be determined now in a farsighted manner. In view of the vast amount of money in the sinking fund, it is very easy to see that if, instead of paying off our entire indebtedness in 21 or 22 years, we lengthen that period to 31 or 32 years, we could save anywhere from \$60,000,000 to \$100,000,000, which could be applied to tax reduction and thus afford relief to the business of the country and to the people of the country generally.

We have reached the point now where we must determine what policy we are going to pursue. The longer we wait the longer we are going to have the situation that was discussed here to-day on the floor of the Senate. Our agreements with our allies were based on the theory that their indebtedness to us would be settled in 62 years. The British debt settlement, which is the largest and most important one, was entered into in 1923. If we add 62 years to that date we shall find that in 1985 the debt due us from Great Britain will have been settled; but in the meanwhile what is happening? If we go on paying off our indebtedness in the future in the way we have in the past we are going to find that in 1950 or 1951 we shall have paid off all our indebtedness, while our former allies, if we continue to demand that they pay us, will be paying money to the United States Government on an account of an indebtedness that is no longer charged against our people.

If Senators will think for a moment they will realize that such a condition would go on for 30 years, and even for over 35 or 40 years, if we continue applying a yearly surplus of \$300,000,000 or \$400,000,000, in addition to the sinking fund, to the payment of our national debt. That would be at the rate of nearly a billion dollars a year, and, in view of the way in which the sinking fund grows, it is easy to see how soon the entire indebtedness will be canceled. Then we are going to reach the condition that was so much discussed on the floor of the Senate to-day; we are going to have a clamor for the forgiving of the remainder of the entire indebtedness; and it is my humble opinion that the demand has already started.

Mr. PITTMAN. Does the Senator mean forgiving the foreign indebtedness?

Mr. GERRY. Yes; we are going to have a clamor to forgive our allies the amount of money they borrowed from us.

Mr. PITTMAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Rhode Island further yield to the Senator from Nevada?

Mr. GERRY. I yield.

Mr. PITTMAN. Do I understand that the argument in favor of that would be that the people of America, being no longer taxed by reason of that indebtedness, therefore might as well forgive it?

Mr. GERRY. That is exactly the argument that would be used, because the American taxpayer would have already been taxed to pay off this indebtedness; and when the European payment continues we will be using that money to pay our current expenses in place of deriving it from our own taxes. That this condition would be created would be true if it were not for the fact that, according to my recollection, there is in the agreements that we entered into with our allies a proviso that the money collected from them must be paid toward meeting their indebtedness.

I should like to ask the Senator from Utah if that is not true. Is it not true that the money paid to us from the Allies must be paid toward their indebtedness?

Mr. SMOOT. Oh, no; not toward their indebtedness.

Mr. GERRY. Toward interest and indebtedness?

Mr. SMOOT. We use the money, the interest that they pay upon their obligations, to refund our obligations. It is not to pay their indebtedness.

Mr. GERRY. I understand that. The Senator missed my point.

Mr. SMOOT. I understood the Senator to ask whether the money we received from them was used to pay their indebtedness. It is used to reduce the domestic indebtedness.

Mr. GERRY. They borrowed the money from us, and we sold bonds to obtain that money.

Mr. SMOOT. Yes.

Mr. GERRY. Under the debt settlements a part of the money that we received from the Allies goes to the payment of the capital and the other part goes to interest.

Mr. SMOOT. That is right.

Mr. GERRY. But it is limited to that amount. There is a limitation in the agreement; is there not?

Mr. SMOOT. I do not quite understand the Senator. A limitation of what kind—as to the amount that we shall apply upon our indebtedness?

Mr. GERRY. No; that it must go to their indebtedness.

Mr. SMOOT. Certainly; that is the law.

Mr. GERRY. That is in the contract?

Mr. SMOOT. That is in the agreement that has been made.

Mr. GERRY. That was my understanding of the agreement. It is in the agreement?

Mr. SMOOT. Yes.

Mr. PITTMAN. Mr. President, does the Senator happen to have the statistics there to show what our domestic debts are evidenced by?

Mr. GERRY. By bonds. I do not think I get the Senator's question.

Mr. PITTMAN. It was stated there that our Government sold bonds for the purpose of raising the money to be furnished to the Allies. What character of bonds were they?

Mr. GERRY. Our Liberty bonds were sold, and the money obtained from those bonds was given to the Allies and then we took their notes in return.

Mr. PITTMAN. And those Liberty bonds were due in what period of time, generally speaking?

Mr. SMOOT. The last of them run up to 1947. Within a couple of years about \$2,000,000,000 of the bonds will fall due.

Mr. PITTMAN. As I understand, those bonds were first sold in the open market, and at times were sold below par. In fact, they sold sometimes, I believe, as low as 85 per cent of par.

Mr. SMOOT. They reached that figure on the market, but they never were issued for that.

Mr. PITTMAN. I do not mean that; I mean they reached that level on the market—85 cents on the dollar. Then those bonds went into the hands of those who could afford to hold them, and they are largely there now; and the sooner those bonds are paid off the larger profit there will be to the holders. Is that correct?

Mr. SMOOT. No; the holder does not want them paid off. They are the best security in the world, and they are being refunded at a very much lower rate of interest than they are carrying now.

Mr. PITTMAN. If I bought a bond to-day for 85 per cent of its face value and sold it to-morrow at par, I would make 15 per cent on the transaction.

Mr. SMOOT. Yes; of course.

Mr. PITTMAN. If I did not sell it for 10 years, I would make the interest during that period of time, and one-tenth of 15 per cent each year.

Mr. SMOOT. And it would not make a penny of difference to the Government.

Mr. PITTMAN. It would not make a penny of difference to the Government, but it would make a tremendous difference to the man who got the 15 per cent.

Mr. SMOOT. There is no man who bought our bonds but that can sell them any day he desires; and the only reason he is holding them now is because they are the best investment that he can find.

Mr. PITTMAN. There might be a question as to whether the bonds would be as valuable if they thought they were not going to be paid off as rapidly as possible, if they thought they were going to run the full period of time; but, be that as it may—

Mr. SMOOT. Why, just within a few months we called bonds that were drawing 4½ per cent, and we have reissued short-time certificates at 3½ per cent, and they were taken up just as rapidly as the bonds themselves were. There is none of the

bonds of the United States but that is slightly above par at the rate they are bearing now.

Mr. PITTMAN. Then it comes down solely to the proposition—I am asking this for information—whether it is better for the Government to cease paying the interest on those bonds, varying from 3¼ per cent to 4¼ per cent, or whether it is better that the taxpayer should pay the rate of interest that is being paid at the present time?

Mr. SMOOT. If the bonds are paid off, it will cause a reduction in the bonds of the Government outstanding, and therefore a reduction in the amount of interest that must be paid each year.

Mr. PITTMAN. But the taxpayer would not get any reduction of his taxes if the money, instead of being used for the support of the Government, were diverted to the purpose of reducing the national debt, would he?

Mr. SMOOT. Why, certainly. If we had our \$18,000,000,000 of national debt paid off now, drawing, say, an average of 4 per cent, that would be \$720,000,000 a year that the taxpayer would not have to pay at all.

Mr. PITTMAN. If the taxpayer were only required to pay the tax necessary to raise two hundred or two hundred and fifty million dollars a year, he would not be benefited at all by a reduction of the public debt over and above that amount. It would not reduce taxation or increase it, either one.

Mr. SMOOT. It would reduce it, because the amount we have already paid off on our obligations is equivalent to some \$375,000,000 of interest; and instead of paying the interest we can reduce the annual tax by that amount of money. That is why I want the debt paid off just as quickly as possible, because there is not any better reduction in taxes than to reduce the debt, so as to reduce the interest that the Government will have to pay.

Mr. PITTMAN. It is perfectly evident that there is an argument used now that it is better to reduce the national debt than to reduce taxes. Consequently, you can not do both.

Mr. SMOOT. No, Mr. President; the proposition now is that there should be a happy medium between the two; and that is exactly what we are trying to arrive at with the bill that is before the Senate, and that has been the policy in the past.

Mr. PITTMAN. Then I thoroughly understand it. The happy medium means that both can not exist at the same time.

Mr. SMOOT. That is true, too, and the Senator knows it.

Mr. PITTMAN. You can not use your funds for the reduction of a past debt and at the same time reduce present taxation.

Mr. SMOOT. That is a fact that can not be denied by any human being.

Mr. PITTMAN. I was trying to understand the theory; and it is felt that the public is bearing a greater burden by rapidly taking off the burden of war at the expense of taxation.

Mr. GERRY. I should like to say to the Senator from Nevada that that very fact of the ability to buy bonds below par was availed of by certain foreign governments, and it was very wise banking. Under the debt settlements they were allowed to pay their indebtedness to us with our bonds, and therefore, having bought those bonds below par, they were able to give those bonds to our Treasury and have them taken in payment at par.

Mr. SMOOT. Mr. President, I want to say to the Senator that at the date the first settlement was made—and that was with England—the bonds were nearly at par. If these settlements had been made when these bonds were selling for about 88, that would have been absolutely true; and I think England did make a little profit on purchasing the bonds and paying the bonds at par on their obligations.

Mr. GERRY. I have always understood, if the Senator from Utah will permit me, that they bought a great many bonds early, and then, after the settlement was made, they reaped the benefit of their foresight.

Mr. SMOOT. Just the same as if the Senator had bought the bonds himself he would have reaped it, or any other corporation or individual in the world. That was a question of investment. If they had gone down they would have lost that much. Since they went up they made that much.

Mr. GERRY. I am not saying that that is not the case. I am stating that as the fact.

Mr. SMOOT. That is true.

Mr. GERRY. It is true, and they reaped the benefit of their foresight. The expert has also just told me that I am correct in my understanding of what I asked the Senator from Utah about, that in these debt settlements there is a proviso that the money set aside for capital must be paid for the canceling of

the public debt; and, therefore, if we should cancel all of our public debt, that money could not be used. Of course, that is a theoretical proposition.

Mr. SMOOT. Of course, if such a condition existed, I will say to the Senator—

Mr. GERRY. But that is in the statute? I was correct in my understanding of the statute?

Mr. SMOOT. Yes; I said the Senator was.

Mr. GERRY. I thought so, but I wanted to be accurate, and that is the reason why I asked the Senator from Utah.

Mr. SMOOT. As to the law, the Senator stated it correctly; but I will say further to the Senator that if these obligations were all paid we could reduce our taxes by an amount which I have not figured out, but which would be, anyhow, 3½ per cent on seventeen or eighteen billion dollars.

Mr. GERRY. There is no question of that. I am not disputing that; but here is the point, and I am nearly through: If you do that, you have reduced indebtedness by making this generation carry the heavy tax burden of the war; and there you are going into a question of policy as to what the Government should do and what is the best financing.

Mr. SMOOT. That is absolutely true.

Mr. GERRY. I have maintained right along that we are now coming to a position in taxation where we have got to determine a policy, because unless we meet the issue and determine upon a policy, we are going to get in a position where we are paying off this debt so fast that there will be a tremendous demand and a great propaganda to forgive the foreign indebtedness, and place that burden on the American people.

Mr. SMOOT. Mr. President, I am one of those who believe that future generations will have all the obligations to meet that they can carry. If it were true that future generations would sail along without incurring any obligations at all, then the Senator's argument would be quite proper, that the present generation should not take the whole burden of the war; but I believe, as much as I believe that I am alive, that between now and 22 years from now—the time when this debt will be canceled if the program as mapped out is carried out the children who are born during that period will have all they can pack.

Mr. GERRY. Is the Senator in favor of paying off the debt in 22 years?

Mr. SMOOT. I would like to see it paid off quicker than that.

Mr. GERRY. And putting heavier taxation on the people?

Mr. SMOOT. We are not putting heavier taxation on them. There are less than 4,000,000 persons in the United States, including corporations, associations, and other organizations, who pay taxes to-day. Now, we are reducing the taxes again, and we will cut out quite a number more. I believe that the people who pay taxes to-day, including the corporations and associations, can afford to do so better than those who have been exempted in the past.

Mr. GERRY. How would the Senator, then, handle the question of the foreign indebtedness?

Mr. SMOOT. That was discussed this morning. I would expect the foreign nations to pay under the terms of whatever settlement is agreed upon.

Mr. GERRY. After all, the paying off of the indebtedness is a question of degree, or a matter of policy as to how much we will pay off and how soon we will pay it off. But is it not a matter of fact that if we pay the debt off in 22, or even 30 years, and we have this foreign indebtedness that will run for 25 years in addition, we will have a great demand to settle the foreign indebtedness, we will have the international banker wanting the foreign indebtedness canceled? The Senator from Utah knows that, and I know it.

Mr. SMOOT. The international banker would like to see it canceled to-day.

Mr. GERRY. He would like to see it canceled to-day. Then the securities he owns would rise in value, and he figures that he might have a chance to handle more bond issues abroad.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. GERRY. I yield.

Mr. McKELLAR. In view of the challenge from somebody on the other side to know how Democrats stood on the cancellation of the indebtedness, I take this opportunity of saying that, so far as I am concerned, I think the terms we have given our debtors have been far more liberal than we ought to have given. I am utterly and absolutely opposed to making any reduction in those debts now or at any other time. I think we have been more liberal than the debtors could have hoped.

Mr. GERRY. Mr. President, my contention is that we have come to a time when we have to establish a policy as to whether we are going on to pay off our total indebtedness in 21 or 22 years or less—and if we go on at the present rate,



it will probably be less—and continue our present rate of taxation, or whether we want to pay off our indebtedness over a slightly longer period, say, 10 years more, or in 31 or 32 years, and be able to give tax reduction to the American people of from sixty to one hundred million dollars. That is a question about which the Senator from Utah and I differ.

Apart from the question simply of tax reduction, there is also the question we have been discussing to-day as to whether, unless we change the rate at which we are paying off our indebtedness, we will not be faced with what we are going to do with the obligations that foreign governments owe us. We are going to be faced unquestionably by propaganda on the part of many idealistic and sincere people, and also by propaganda from the international bankers, who would gain by the canceling of the foreign indebtedness.

We are going to have to meet that issue, and I for one believe that the sooner it is met the better, because it is going to be increasingly difficult for us to collect as our own indebtedness becomes less and less.

I do not see, and I have never seen, why America is not entitled to continue to receive from her allies the money they have agreed to pay. We have paid our share of taxes, and I do not think that proud nations in the future will want to feel that they have failed to meet their obligations. But whether they do or not, I feel certain that the average American citizen realizes that he has done his bit, that he is doing his bit, and that he is entitled to receive all the advantage that he can from the money that he pays in taxes, which includes the amount he pays to reduce our debt, and that he is the one who should be considered.

Mr. GLASS. Mr. President, I want to call the attention of the Senator from Utah to a very egregious blunder he made in a statement upon the floor to-day, if I may be permitted to do so.

Earlier in the day I demonstrated by quotations from the act itself that not a single dollar was loaned by this Government to foreign governments without authority of law; on the contrary, that it was by the express authorization of the statute; but the Senator from Utah made what seemed to me the most astonishing statement to come from the chairman of the Finance Committee of the Senate in declaring that more money was loaned to foreign governments after the armistice than prior to the armistice.

I did not venture specifically to give my recollection of the figures at the time, but I have gotten the report of the Secretary of the Treasury since, and the facts are that, prior to the armistice, credits established amounted to \$8,171,976,666, and that following the armistice credits established were only \$1,475,442,743.84. So that the difference is as I have indicated. The credits established before the armistice were in excess of \$8,000,000,000, and the credits established to meet commitments after the armistice were less than a billion and a half dollars.

Mr. SMOOT. Mr. President, will the Senator state to the Senate now what France received after the armistice?

Mr. GLASS. I will in a few moments; but it was an inappreciable amount contrasted with what she got before the armistice. The point is that the chairman of the Finance Committee of the Senate makes upon the floor of the Senate the statement that more credits were established to foreign governments after the armistice than theretofore, when, far from that being so, it is as eight billion dollars is to a billion and a half.

Mr. REED of Pennsylvania. Mr. President, will the Senator permit a question?

Mr. SMOOT. I forgot to take into consideration the amount England was owing the United States. That was \$4,600,000,000. If the Senator will take each of the countries outside of England, I think he will find my statement about correct.

Mr. GLASS. No; I will find it utterly incorrect. I have gone into it far enough to establish the fact that it is utterly incorrect.

Mr. REED of Pennsylvania. Mr. President, will the Senator permit me to ask a question?

Mr. GLASS. Certainly.

Mr. REED of Pennsylvania. I am impressed by the fact that what the Senator from Utah said with regard to the advances before and after the armistice dealt with payments that were made by the United States to those foreign governments.

Mr. GLASS. He would be just as far wrong in that as he was in the other statement.

Mr. REED of Pennsylvania. What the Senator from Virginia is endeavoring to show is the establishment of credit on this Government's books, a very different thing from the payments.

Mr. GLASS. Oh, yes; but I will show that the Senator from Utah was just as far wrong in that supposition as the Senator from Pennsylvania is.

Mr. REED of Pennsylvania. If the Senator wanted to make a responsive answer, it seems to me he ought to answer on that point.

Mr. GLASS. I will make a response right here from the report of the Secretary of the Treasury. The cash advanced prior to the armistice, or up to three days after the armistice, was \$7,098,714,750, whereas the total advances were but \$9,647,419,000. That is a specific answer.

Mr. REED of Pennsylvania. From what is the Senator reading?

Mr. GLASS. I am reading from the official report of the Secretary of the Treasury to the President.

Mr. REED of Pennsylvania. For what year?

Mr. GLASS. For the year 1918. The credits established for Belgium prior to the armistice were \$106,580,000; subsequent to the armistice, \$236,865,000.

Credits established to France prior to the armistice were \$2,389,956,600; subsequent to the armistice but \$658,018,177.24.

Mr. REED of Pennsylvania. How much was paid to France after the armistice?

Mr. SMOOT. I was speaking of settlements that were made.

Mr. GLASS. I can get those figures and show that the Senator was as far wrong in that item as I am showing he was wrong in the other.

Great Britain had credits established of \$3,709,000,000 before the armistice, and she had credits established of \$568,000,000 after the armistice.

Russia had credits established of \$187,000,000 before and nothing after the armistice.

Italy had credits established of \$1,102,351,891.98 before the armistice and \$518,570,000 after the armistice. If it would afford the Senator any satisfaction, I could very easily obtain the advances and show he was just as far wrong in that item as he has been in these two, which is very far.

Mr. SMOOT. I will put the figures in the Record myself.

Mr. GLASS. Mr. President, in order to continue for a moment the statement I made in the time of the Senator from Rhode Island, I want to say that the Senator from Utah [Mr. Smoot] asked me with reference to the cash advances on account of foreign loans prior to and after the armistice, especially with reference to France and Great Britain. From the report of the Secretary of the Treasury for 1918, page 36, I read again that the total established credits to Great Britain amounted to \$3,945,000,000, of which amount there was advanced in cash before the armistice \$3,696,000,000. The total credits established for France were \$2,445,000,000 and the total cash advances prior to the armistice were \$1,970,000,000.

Mr. REED of Pennsylvania. I am not able to reconcile the figures in the Treasury report for 1918 with those in the Treasury report for 1927. At page 323 of the latter volume I find the statement that France's afterwar indebtedness, with interest, amounts to \$1,655,000,000; Belgium's postarmistice borrowings, with interest, were \$258,000,000; the postarmistice indebtedness of Italy, with interest, was \$800,000,000, and so on. In order that we may clear it up I shall ask the Treasury Department to send us a statement showing the exact amounts advanced in cash before and after the armistice.

Mr. GLASS. I accounted to the Senator for nearly \$500,000,000 of the postwar indebtedness which arose after the war out of the sale of material by this Government to the French Government.

Mr. REED of Pennsylvania. Four hundred and seven million dollars.

Mr. GLASS. I said approximately \$500,000,000. I did not undertake to state the exact figures. I can not account for other postwar indebtedness, but I have no doubt in the world the official figures of the Secretary of the Treasury are correct.

Mr. SMOOT. In the statement I made I had reference to the settlements which were made or supposed to be made by the Debt Commission. Of course, I think they were correct, but I will get the exact figures.

Mr. GLASS. The exact figures have just been quoted from the report of the Secretary of the Treasury. The Senator can not set up his recollection against the official figures from the report of the Secretary of the Treasury.

Mr. SMOOT. I am not trying to do so.

#### PRESIDENTIAL APPROVALS

A message from the President of the United States, by Mr. Latta, one of his secretaries, announced that the President had approved and signed the following acts:

On May 1, 1928:

S. 1368. An act to extend the benefits of the employee's compensation act of September 7, 1916, to Martha A. Hauch; and S. 3437. An act to provide for the conservation of fish, and for other purposes.

On May 2, 1928:

S. 4180. An act authorizing the attendance of the Marine Band at the Confederate Veterans' Reunion at Little Rock, Ark.

On May 3, 1928:

S. 2900. An act granting pensions and increase of pensions, to certain soldiers and sailors of the Civil War and certain widows and dependent relatives of such soldiers and sailors; and

S. 4046. An act authorizing the Henderson-Ohio River Bridge Co., its successors and assigns, to construct, maintain, and operate a bridge across the Ohio River at or near Henderson, Ky.

INTERNATIONAL TECHNICAL COMMITTEE OF AERIAL LEGAL EXPERTS  
(S. DOC. NO. 94)

The PRESIDING OFFICER (Mr. FESS in the chair) laid before the Senate the following message from the President of the United States, which was read, and, with the accompanying papers, referred to the Committee on Foreign Relations and ordered to be printed:

*To the Congress of the United States:*

I transmit a report from the Secretary of State in regard to the work of the International Technical Committee of Aerial Legal Experts, in the deliberations of which the Government of the United States would be entitled to participate if it should pay a share of the annual expenses of the committee, and commend to the favorable consideration of the Congress the recommendation of the Secretary of State, as contained in the report, that legislation be enacted authorizing an annual appropriation of a sum not in excess of \$250 to meet the quota of the United States toward the annual expenses of this committee, beginning with the calendar year 1928.

CALVIN COOLIDGE.

THE WHITE HOUSE, May 4, 1928.

AYER & LORD TIE CO.

The PRESIDING OFFICER laid before the Senate a communication from the Comptroller General of the United States, transmitting, pursuant to law, a report and recommendation concerning the claim of the Ayer & Lord Tie Co., which, with the accompanying report, was referred to the Committee on Claims.

REPORT OF NATIONAL INSTITUTE OF ARTS AND LETTERS

The PRESIDING OFFICER laid before the Senate the annual report of the National Institute of Arts and Letters relative to its activities for the year 1927, which was referred to the Committee on the Library.

MARINE BIOLOGICAL STATION AT KEY WEST, FLA.

The PRESIDING OFFICER laid before the Senate a communication from the Acting Secretary of Commerce, transmitting draft of a proposed bill for the reconveyance to the Key West Realty Co. of the marine biological station at Key West, Fla., with favorable recommendation, which, with the accompanying paper, was referred to the Committee on Commerce.

THE COOLIDGE DAM (S. DOC. NO. 93)

The PRESIDING OFFICER laid before the Senate a communication from the Secretary of War, chairman of the Federal Power Commission, reporting, pursuant to law, for the commission, relative to the proposed development of hydroelectric power at the Coolidge Dam and the compensation to be paid to the Apache Indians of the San Carlos Reservation for the use of their lands in connection with the Coolidge Dam project, which, with the accompanying report, was ordered to lie on the table and to be printed.

FARM RELIEF

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 3555) to establish a Federal farm board to aid in the orderly marketing and in the control and disposition of the surplus of agricultural commodities in interstate and foreign commerce.

Mr. McNARY. I move that the Senate disagree to the amendment of the House and request a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. McNARY, Mr. CAPPER, Mr. GOODING, Mr. SMITH, and Mr. RANDELL conferees on the part of the Senate.

INDEPENDENT OFFICES APPROPRIATIONS

The Senate resumed the consideration of Mr. WARREN's motion that the Senate recede from its amendment numbered 9 to the bill (H. R. 9481) making appropriations for the Executive Office and sundry independent executive bureaus, boards,

commissions, and offices for the fiscal year ending June 30, 1929, and for other purposes.

Mr. LA FOLLETTE. Mr. President, I desire to make a brief statement concerning Senate amendment No. 9, providing that no further funds shall be available for the maintenance of the sea-service bureau by the Shipping Board.

The sea service bureau was created during the war as a recruiting and training service. The testimony seems to be practically unanimous to the effect that the sea service bureau rendered good service during that period. Following the armistice and since that time the sea service bureau has been maintained by the Shipping Board, although there is no statutory provision authorizing its maintenance. It has been carried on by the Shipping Board without statutory provision. The statute provides that the shipping of sailors shall be done before United States shipping commissioners. Therefore the work done by the sea service bureau is a duplication. As is the case with all bureaus which have been created, there is a disposition for it to continue. Those who are employed desire to have their employment continued.

A rather thorough investigation was made of the Shipping Board by a committee of the House, of which Representative DAVIS of Tennessee was a member. When the independent offices appropriation bill was under consideration in the House Representative DAVIS offered an amendment similar to the one which I subsequently offered and which was adopted by the Senate. I desire to quote briefly from Mr. DAVIS's statement on the floor of the House on January 24, appearing on page 1970 of the RECORD. Referring to the sea service bureau, he said:

I want to state that the select committee which investigated Shipping Board affairs sometime back entered into a full investigation of this subject and I know that I reached the conclusion, and I believe that other members of that committee reached the conclusion, that this sea service bureau should be eliminated.

If I had time to go into details and explain many of the things that were shown with respect to this bureau at those hearings, I believe the distinguished gentleman from Indiana and his colleagues upon the Appropriations Committee would reach the same conclusion which I have reached. I believe that in their effort to economize and to save every dollar they can—which I commend—they would see that undoubtedly here is one opportunity to effect a saving.

I do not know just exactly how much this sea service bureau cost during the last calendar year, but it has been ranging all the way from \$100,000 per annum to as high as \$400,000 some time back.

Mr. DAVIS continued:

Chairman O'Connor, of the Shipping Board, appeared before the select committee and was questioned with regard to this sea service bureau, in part, as follows.

I direct the attention of the Senate to this testimony taken by the select committee of the House when it was investigating the Shipping Board and had under consideration the matter of the sea service bureau.

Mr. DAVIS. Mr. O'Connor, you are the member of the Shipping Board who has jurisdiction over the sea service bureau, are you not?

Commissioner O'CONNOR. Yes, sir.

Mr. DAVIS. As I understand, that was a bureau that was established during the war, primarily in order to train seamen to be placed upon the Shipping Board vessels that were being acquired and constructed?

Commissioner O'CONNOR. Yes, sir.

Mr. DAVIS. At the present time, and for some two or three years past, the sea service bureau has amounted to only a recruiting or seamen's employment service, has it not?

Commissioner O'CONNOR. That is practically all; yes.

Continuing to quote from Mr. DAVIS:

Now, Mr. Joseph E. Sheedy was the vice president of the Emergency Fleet Corporation and the director of operations, and the one directly in charge of this sea service bureau, and I want to call your attention to what he had to say upon the same subject. After asking in a general way about it, this occurred at the same hearing:

"Mr. DAVIS. Do you think that the bureau performs a successful function?"

"Mr. SHEEDY. Frankly, I have never been able to find out."

That statement was made by the vice president of the Emergency Fleet Corporation, under whose direct supervision the sea service bureau rested.

Mr. President, the sea service bureau maintained by the Shipping Board has so conducted its affairs in the shipping of seamen that there has been an enormous turnover in personnel, such an enormous turnover that all their claims regarding the training of boys for the service of the sea are completely answered. Mr. D. A. Hoover, supervising inspector general,



stated under date of January 13, 1928, that approximately 16,633 seamen are required as the number of able seamen actually to man the merchant fleet. According to the statement made by the board in defense of the sea service bureau they admit that they have placed 68,636 seamen on Shipping Board vessels during the year. This means a turnover of approximately 450 per cent, and I submit to the judgment of any Senator whether or not an efficient organization can be built up under conditions where a turnover of this magnitude is inevitable.

Mr. FLETCHER. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Wisconsin yield to the Senator from Florida?

Mr. LA FOLLETTE. I yield.

Mr. FLETCHER. The claim is made by those who are favoring the sea service bureau that it tends to Americanize the seamen on American ships. Does the Senator have any information with respect to that claim? It is claimed, I believe, too, that before the bureau was established some 90 per cent of the seamen were foreigners and that now they are 80 per cent Americans. It is also claimed, I believe, that while the bureau costs \$120,000 or more a year, it would probably cost more to make the examinations and supply the sailors without the bureau. I would like to hear the Senator with reference to those two particular claims.

Mr. LA FOLLETTE. Their statement is that they have 87.2 per cent Americans on United States Shipping Board vessels. My information is that in order to reach that percentage they include the Filipinos who have been signed on those vessels. I may be in error as to that, but that is my information. Of course, the Filipinos who are signed are not citizens, except as they may have discharges from the Army or the Navy or from the naval auxiliary.

Mr. WARREN. Mr. President—

Mr. LA FOLLETTE. I yield to the Senator from Wyoming.

Mr. WARREN. I would ask the Senator, in connection with that observation, how the Shipping Board treated the Filipinos before that time when they figured on how many non-American seamen they had? It was figured that they had some eighty-odd per cent in the early years of non-American seamen.

Mr. LA FOLLETTE. I can not answer the Senator's question.

Mr. WARREN. Their declaration was that they had changed some eighty-odd per cent of foreigners to about 87 per cent of Americans or citizens of the United States.

Mr. LA FOLLETTE. Mr. President, there is considerable evidence to the effect that the sea service bureau is maintaining a black list. They term it a "deferred list." The claim is made—and I believe it is substantiated—that men shipping on these vessels who complain of violations of safety and labor provisions of the seamen's act when a vessel has completed its trip are placed upon a deferred list and can not secure further employment through the agency of the sea service bureau. I have here a photostatic copy of a letter on the letterhead of the Fleet Corporation addressed to Mr. Wilson and reading:

DEAR SIR: Please assign the bearer, Arthur Sorrel, as A. B. on this ship; and will you also please send me over a good ordinary seaman?  
Respectfully yours,

E. E. HORRELL,  
Chief Officer, S. S. Mount Evans.

Then there appears upon the lower portion of the letter a long-hand memorandum signed by Mr. Wilson, in which he said:

The bearer, A. Sorrel, appears on our deferred list, so therefore can not be assigned to a Shipping Board vessel.

I also have a copy of another letter signed by Mr. Chris Rasmussen, agent New York Branch Eastern & Gulf Sailors' Association, written to Mr. W. P. Seymour, assistant to the director of industrial relations, United States Shipping Board, and reading as follows:

DEAR SIR: I am writing this short letter to you on behalf of Mr. John Olson, a member of this organization, who served as an able seaman on the S. S. *Saugus*, American Export Line. He shipped here in New York in September, 1924, and was discharged from that ship in Greece the same year; he came back to the United States about three months later by way of England. Mr. John Olson is an American citizen and has several very good discharges from ships, including some Shipping Board ships, and also from the United States Army Transport S. S. *Calemars* during the World War. He has lately been sailing in oil tanks and other privately owned American ships, owing and due to the fact that he was put on the deferred list by the sea-service bureau after coming back from Europe at the time above mentioned, and I am asking you if possible to see that Mr. John Olson will be taken off the deferred list and given another chance, which I really believe he is entitled to. Mr. Daly, at the sea service bureau here, recommended that he write to your office in care of you, and I, in turn,

promised to write this letter for him. Trusting that I will hear from you at your earliest convenience on this matter, I am,

Yours most respectfully,

CHRIS RASMUSSEN,  
Agent New York Branch Eastern & Gulf  
Sailors' Association (Inc.).

I also desire to read a resolution adopted unanimously by the forty-seventh convention of the American Federation of Labor held at Los Angeles, Calif.:

Whereas there can be no safety at sea without skilled officers and seamen; and

Whereas the needed skill is only developed when those who are to see the work done are selecting those who are to do it; and

Whereas the sea service bureau and the shipowners' employment offices are working directly against any and all efficiency and safety; and

Whereas these employment offices are gathering places for casual laborers and men seeking shelter from too close a scrutiny by the police and to get away when the scrutiny becomes too pressing; and

Whereas these conditions work a hardship upon all real seamen and a most serious hindrance to the development of a merchant marine and a sufficient sea power for the United States: Therefore be it

Resolved, That the sea service bureau and shipowners' association shipping offices are a positive evil and ought to be abolished, and that employment of seamen ought to be through the United States shipping commissioner's office, being selected by the vessels' officers either at the commissioner's office or before coming there to be signed.

That raises the question which is very important here, as I see it, Mr. President, namely, that under the statutory provisions for the shipping of men upon ships before United States commissioners, the United States commissioner acts only as an intermediary to see that the sailor has justice. The master of the ship, under those provisions, has the last word to say concerning the personnel of those who are to go to sea with him. That was the practice for generations of time on the sea until this sea service bureau was set up by the Shipping Board, and has been maintained for the purpose of standing between the officers who desire to ship their men and the men themselves; and they have maintained these deferred or black lists, putting upon them, as I have shown here, men who have made complaints against the safety or the labor provisions of the seamen's act.

I desire briefly to refer to an editorial which appeared in the Washington Post under date of February 22.

Mr. KING. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield to the Senator from Utah.

Mr. KING. Apropos of the resolution adopted by the labor organization in Los Angeles, have the Shipping Board or this bureau which seeks to perpetuate itself ever attempted to answer it?

Mr. LA FOLLETTE. Yes, Mr. President. The Senator from Wyoming had a letter read into the Record. Perhaps the Senator heard portions of it.

Mr. KING. Yes.

Mr. LA FOLLETTE. That is the answer which they make.

Mr. KING. I do not think it is satisfactory at all. It seems to me, from that letter and from what the Senator has said and from my limited knowledge of the matter, that this bureau, like most Federal bureaus, is trying to perpetuate itself, though it was created for a transitory purpose. It is like a leech; when it attaches itself to the Federal Government, it never lets go; and Congress has not power enough to pry off some of these leeches.

Mr. LA FOLLETTE. The Senator states the case very succinctly so far as this bureau is concerned. I am informed by the Senator from Wyoming that it is now costing the Government \$120,000 a year to maintain this organization, which has no statutory authorization, and is, as a matter of fact, maintained in violation of the theory upon which the shipping of seamen is provided for in the statutory provisions.

I wish to read, Mr. President, this editorial from the Washington Post—it is very brief—entitled:

#### A BUREAU THAT MAKES LAW

The Senate has attached an amendment to the appropriation for the Shipping Board to the effect that none of the appropriation shall be used to maintain the sea service bureau. The bureau is now nothing but an employment office, performing services which by law are assigned to the shipping commissioners, for whom offices are provided in every port of entry that is also a port of ocean navigation.

The first duty of the shipping commissioner's office is "to afford facilities for engaging seamen by keeping a register of their names and characters." This is exactly the work that the sea service bureau is doing at an expense of about \$150,000 a year. This is an inexcusable waste of public money. If the shipping commissioners have not done this duty, they should do it, as required by law.

The shipping commissioners have an added duty of seeing that the laws relating to seamen are obeyed. There are certain laws for the protection of the seamen which would be obeyed if this work was done by the shipping commissioners.

Let me say that that also is an important reason why the Shipping Board is determined to maintain this bureau.

Among these laws are certain penalties for misconduct when committed by the seamen or when committed by the officers of the vessel. The sea service bureau disregards these laws and places men on what is called the deferred list (black list), in lieu of submitting those men to the regular authorities for trial and punishment. These laws were passed to protect life and property at sea by maintaining proper skill and discipline. To disregard those laws and substitute therefor the whim of the owner, the master, and the sea service bureau must necessarily result in fostering a disregard for law and in driving skilled and law-abiding seamen from the service.

By its own admission the sea service bureau uses the deferred list in lieu of the penalties not only for serious infractions of discipline but even for crimes. This is a vicious system of lawmaking by a bureau, in disregard of the laws of Congress. The bureau should be abolished. The House conferees should accept the Senate amendment to the Shipping Board bill.

Mr. President, this bill has been in conference for many weeks. Only on yesterday was the conference report taken to the floor of the House. It was taken to the floor of the House at a time when the House was centering its attention upon the consideration of, or was preparing to consider, the so-called Haugen bill. Because of the desire of the House speedily to get to the consideration of that other measure, the injection of the report at that time precluded any adequate consideration of this question.

What boots it that amendments put on in the Senate are taken to the floor of the House unless there is to be given an opportunity for discussion and for an intelligent rendition by the House of its opinion with regard to those amendments?

In my brief experience in this body it has seemed to me that there has been growing up here within recent years an utter lack of consideration for the amendments which are put on House bills in the Senate. I have nothing to say concerning the attitude of the Senate conferees. I believe that they conscientiously struggled to secure an agreement on the part of the House conferees to this amendment; but I submit that under the circumstances the House, or the individual Members of that body, had no opportunity to consider the merits of this amendment attached in the Senate, or of the other two amendments upon which a recession by the Senate is now moved by the Senator from Wyoming.

It seems to me, Mr. President, that the Senate could very well insist upon a further conference concerning this amendment, with a request that it be taken to the floor of the House at a time when a consideration of the merits of the amendment might be had. Let me say, Mr. President, that there are able men in the House who have given very careful study to this entire subject who are concerned and interested in this amendment and who had no opportunity on yesterday to present this question upon the floor of the House.

Therefore I trust that the motion of the Senator from Wyoming concerning Senate amendment No. 9 will not prevail.

THE VICE PRESIDENT. Without objection, the motion of the Senator from Wyoming to agree to the amendments of the House to the amendments of the Senate Nos. 1, 10, and 11, and to recede from the amendments of the Senate Nos. 7 and 8, will be agreed to. The question now is on the motion of the Senator from Wyoming to recede from the amendment of the Senate No. 9.

Mr. WARREN. Mr. President, I was about to make some remarks, but I am willing that the matter shall be voted on now.

Mr. LA FOLLETTE. I ask for a division.

Mr. FLETCHER. Mr. President, before we get to that point, with regard to this proposal for unanimous consent to agree to the rest of it—

Mr. WARREN. In the first place, I think we ought to know a little more about it; and, if the Senator will excuse me a moment, I want to say that when this amendment was offered by my friend from Wisconsin [Mr. LA FOLLETTE] on the floor, it was objected to as being out of order on the ground that it was legislation, and there was some talk about it. I remember that I took the ground at the time, and so stated, that I felt that we would not make the point of order and that it could go to conference and probably would be taken care of there.

Mr. LA FOLLETTE. Mr. President, if the Senator will permit me, the RECORD will show that the President pro tempore of the Senate, who was in the chair, ruled that the amendment

was clearly a limitation and therefore not subject to a point of order. I wish to say, further, that this amendment was not adopted without an understanding on the part of the Senate as to what was contained in it, because the Senator from Connecticut questioned me concerning the amendment, and at that time I made an explanation of its purposes and of the reason for its adoption.

Mr. WARREN. I have no difference with the Senator from Wisconsin about that. If there was a point of order made, I do not know it; and I do not know that there was any Senate ruling, except as the Senator has so stated.

Mr. FLETCHER. What I was asking the Senator about—I was not in the Chamber when the report was laid down—was the amendment offered by the Senator from Alabama [Mr. BLACK]. That was in conference, also?

Mr. WARREN. Yes; and several others.

Mr. FLETCHER. I wanted to inquire what attitude was taken with regard to that.

Mr. WARREN. The motion that is now up will cause the two Houses to agree. The House disagreed to the particular amendments that the Senator from Alabama had offered, and the Senator from Alabama knows about that and took up that matter to-day. Out of the four amendments offered by the Senator from Alabama there is one that is included now in this motion that gives \$350,000 for the appointment of attorneys, but includes in that the salaries of those who are drawing salaries by the year, the same as the fees of those who serve for shorter periods.

Mr. FLETCHER. That has been agreed to by the Senator from Alabama? He is not here. That is the reason why I am asking. The Senator from Alabama has agreed to that?

Mr. WARREN. The Senator from Alabama approved that, because, as he figured, it will save \$70,000.

Mr. FLETCHER. I do not care to argue it. I am just trying to ascertain the situation.

Mr. WARREN. Certainly.

Mr. FLETCHER. That disposes of everything except amendment No. 9?

Mr. WARREN. They are all disposed of, so far as I know, except this one. The pending motion includes all of those that are in disagreement and to which, so far as I know, there are no objections; so that it comes down now to the matter of this one amendment, No. 9, to which the Senator from Wisconsin objects.

Mr. FLETCHER. With regard to this motion, I concede the difficulties in the situation now. Originally, I think the Senator's amendment was entirely meritorious, and I think it is yet. If we can possibly secure for it further consideration in the House, I should like to see that done. I think originally this bureau was justified, and served a good purpose; but that service now is not needed to be performed, and it is costing the Shipping Board this much money which it need not cost, and which can be avoided, I think, by a proper handling of the situation. For that reason I should like to see the Senator's amendment prevail.

That is all I care to say. I do not care to take time to discuss it.

Mr. WARREN. Mr. President, I want to appeal to the Senator from Wisconsin to allow this matter to go through, because we have done all that we can in reason, I think.

I was about to say that the Senate amendments went to conference, where they had the warmest support of every man on the conference committee on the part of the Senate. The House refused to agree, and we would not recede; and, of course, we insisted that the matter go back to the House; so that it would have gone back even without a reconsideration. It went back to the House; and I have read the RECORD, and there is nothing in the world so far as the RECORD is concerned that would show what the Senator has received news of from other quarters, because each one of these amendments was taken up by the gentleman from Indiana, and the question put.

In this particular case the gentleman from New York [Mr. LA GUARDIA] moved that the House yield to the Senate. It was voted on and rejected. Later, the motion was made that they insist upon their disagreement, and that was sustained; and so it goes down. Every one of these amendments is considered in particularity, quoted absolutely, every word of them, and in each case the motion is put and carried.

Now, it may be, and I am perfectly willing to accept the fact that there must have been some confusion in the House because of the particular legislation to which the Senator from Wisconsin refers before them; but the condition that it puts us in as conferees, after going through the conference, and now, after going through the House, is such that it seems that it is time for us now to accept what they have to say about it.



All of this argument about the merits of the case is like the merits of many another case, where in conference we are sometimes unable on the Senate side and they are sometimes unable on the House side to maintain what each side is in favor of. I have had any amount of literature sent to me about the result of having, or not having, this bureau. I have had some of the remarks read at the desk; and I will ask now to have the clerk commence at the top of page 3 and read that, as being among those things that surround us, and I suppose they are considered by the House in their very strong attitude against us.

The VICE PRESIDENT. Without objection, the Secretary will read as requested.

The Chief Clerk read as follows:

This smaller turnover is due to careful selections made, and shows that the men are becoming better satisfied with their employment. While an increase is indicated in the cost of placements, there is at the same time a decrease in the operating expenses of the ships.

All matters pertaining to the now extinct sea training bureau, navigation and engineering schools, sea training ships, etc., are kept in this office and are referred to very often by the various departments of the Shipping Board and Fleet Corporation, as well as by civilians who were interested at the time of the World War.

The cost of operating the sea service bureau is \$120,000 per annum. Should this bureau be abolished the cost of manning our ships will far exceed this figure, with no assurance of obtaining efficient American crews.

Letters from the following organizations have been received protesting against the discontinuance of the sea service bureau:

Letter dated—

February 27, 1928: The American Red Cross, New York City.

February 27, 1928: United States Veterans' Bureau, New York City.

February 27, 1928: State of New York, Department of Labor, New York City.

February 28, 1928: The Salvation Army, New York City.

February 28, 1928: Pacific Steamship Co., Seattle, Wash.

March 1, 1928: Civitan Club of Baltimore, Baltimore, Md.

March 1, 1928: Kiwanis Club of Portland, Portland, Oreg.

March 1, 1928: Baltimore Association of Commerce, Baltimore, Md.

March 1, 1928: Chamber of Commerce, Boston, Mass.

March 6, 1928: American Marine Mutual Association of Masters, Mates, and Pilots, Boston, Mass.

March 6, 1928: Chamber of Commerce, Seattle, Wash.

March 6, 1928: Grays Harbor Stevedore Co., Aberdeen, Wash.

March 7, 1928: Society for Prevention of Cruelty to Children, New York City.

March 8, 1928: Hampton Roads Maritime Exchange, Hampton Roads, Va.

March 8, 1928: Newport News Shipbuilding Co., Newport News, Va.

March 8, 1928: Chamber of Commerce, Norfolk, Va.

March 12, 1928: Chamber of Commerce, Savannah, Ga.

March 13, 1928: Marine Engineers' Beneficial Association, Boston, Mass.

March 13, 1928: Chamber of Commerce, Portland, Oreg.

UNITED STATES SHIPPING BOARD SEA SERVICE BUREAU.

#### POWER TRUST INVESTIGATION

Mr. NORRIS. Mr. President, there is taking place now before the Federal Trade Commission an investigation of very far-reaching importance, one which, in my judgment, is not attracting the attention that it should attract from the leading newspapers of the country. All the prophecies that have been made in the past several years, when questions regarding water power and the Water Power Trust and the Electric Trust have been before the Senate, are being fulfilled in that investigation. Some of the most startling things are coming to light, some things which, it seems to me, are almost beyond the power of human beings to do. The way they are trying to educate the people of the country and create public sentiment in favor of the Water Power and the Electric Trust is something that must shock the consciences of all fair-minded people when they read or hear about it.

I am going to read an editorial from the New York World that calls attention to conditions in language much better than I am able to employ. This is from the issue of May 1 of this year:

[From the New York World of May 1, 1928]

#### THE "POWER TRUST" INVESTIGATION

For a graphic account of the manner in which it is possible to use the modern publicity machine of moving pictures, radio, syndicates, "news" stories, and inspired editorials it would be difficult to surpass the story now being told before the Federal Trade Commission by the publicity experts of the power companies. The World's bureau in Washington reported yesterday one bit of strategy whereby candidates for the Senate were advised to attack Senators who had advocated Govern-

ment ownership by describing them as socialists and bolsheviks. "Pin the bolshevik idea" on your opponent was the advice offered.

This is an interesting experiment in propaganda methods, but it does not suggest the thoroughness with which the power companies have worked. Their boards of strategy seem to have included not only publicity experts but bureaus of espionage. Thus in the records of the Federal Trade Commission we find the director of the Illinois committee on public utility information reporting to an officer of the Electric Bond & Share Co. in New York regarding the textbooks used in the public schools of Illinois (Document 449).

In other words, we find that the employees of this great monopoly, of this great trust, are reporting to a corporation in New York the success they are having in putting textbooks and pamphlets into the public schools of Illinois for the purpose of educating the children according to their ideas as to the management of public utilities. I continue reading:

We find the same director reporting (in Document 448) upon the methods of banishing from the schools any textbook of which his committee disapproved.

In other words, this great monopoly is picking and selecting the textbooks which shall be used in the public schools of America, and is taking out of the schools those textbooks which its men and its employees do not approve. I read further:

There are two such methods, he suggests. One, "getting in touch with" the publishers, is "a very slow process." The other method "gets action in the form of the immediate removal of the books from the schools of a city, and I can certainly see no objection to that."

This latter method needs more explanation. What "action" do the utilities companies take when they wish to obtain "the immediate removal" of a textbook from an American public school? And to what type of textbook do the utilities take exception?

When the full report of the Federal Trade Commission is available it seems certain that it will be instructive. There are some points, however, on which more light is needed.

I want to read also, in the same connection, an editorial from the Scripps-Howard papers. I read this from the Washington News of May 1:

#### WHO PAYS FOR PROPAGANDA?

The Federal Trade Commission during recent weeks has been piling up a mass of documentary evidence and direct testimony which seems to substantiate assertions made in Congress that the utilities industries are engaged in a propaganda campaign of enormous proportions. Its object is to influence public thought and legislation against public ownership in any form, against Federal legislation, and specifically against the Boulder Dam and Muscle Shoals bills.

It has been established that the Joint Committee of National Utilities, composed of the National Electric Light Association, the American Gas Association, and the American Electric Railway Association, collected between June and December of 1927 some \$400,000 for propaganda purposes. Its organization came as a result of the probability that the Walsh resolution, calling for a Senate investigation of the power industry, would become law.

It was desired, testimony showed, to have representation in Washington. The power lobby succeeded in shunting off the Walsh resolution to the Federal Trade Commission, and it is under authority of this that the commission is now proceeding.

The National Electric Light Association itself within a year collected more than a million dollars with which to influence public opinion.

It has been shown that the utilities organizations hired former United States Senators and other officials to work here in their behalf. They employed well-known writers to prepare books and pamphlets, which were distributed broadcast. An effort has been made to influence newspapers through this printed propaganda and by direct contact. Methods have been provided to supply women's clubs throughout the country with "information," and for "cooperating" with the clubs. Contacts have been established with schools and colleges, textbooks surveyed, students and faculty members employed during summer months, and cash grants made to further work in which the utilities are interested.

The primary purpose of this all, of course, is to defeat Government operation and forestall Federal regulation. But the utilities likewise have opposed the Shipstead bill to protect labor against injunction abuses and other measures and have interested themselves in taxation and control of navigable streams.

Witnesses admitted frankly that they attempted to use every form of publicity available in an effort to persuade the public to their way of thinking. One witness said his State organization tried to reach everyone from the eighth grade on.

The Federal Trade Commission, it would seem, is getting a comprehensive picture of this gigantic propaganda mill.

But it should not stop there. It should find out who is paying for this propaganda. Are these huge expenditures included in the expenses

the regulatory bodies permit the utilities to charge against the consumer?

Must the public pay to have its opinions brought into line with those of the utilities?

And after that, of course, the question of utility financing remains—the determination of just what is back of the huge issues of utilities securities sold to the public.

Mr. President, I have here a report of one day's proceedings before the Federal Trade Commission, printed in the Washington Herald of April 28, and in the evidence reviewed here it is shown how the giant hand of these great corporations and this great monopoly has fastened itself upon the newspapers and the schools and the teachers and the students. I read from the article:

In solemn review, Judge Healy, counsel of the commission, conducted a parade of subsidized professors and writers who prepared books and delivered lectures paid for by the power lobby, which then disseminated this literature through the country disguised as bona fide investigations by impartial scientific men.

I ask to have the article printed as a part of my remarks. There being no objection, the article was ordered to be printed in the RECORD, as follows:

**POWER INQUIRY DIGS DEEPER IN PROPAGANDA'S FAR-FLUNG NET—HAND OF GIANT CORPORATIONS FASTENED ON NEWSPAPERS AND SCHOOLS, PROBERS FIND—METHODS UNPARALLELED**

By Edwin J. Clapp

The hearing yesterday in the Federal Trade Commission's investigation of the power lobby brought out the unparalleled methods by which the public-utility interests have got hold of the newspapers and schools which form the public opinion of the country, and the legislators who pass its laws.

In solemn review, Judge Healy, counsel of the commission, conducted a parade of subsidized professors and writers who prepared books and delivered lectures paid for by the power lobby, which then disseminated this literature through the country disguised as bona fide investigations by impartial scientific men.

#### STUCK TO PROPAGANDA

Propaganda against the Boulder Dam bill proved the main, if not the exclusive, activity of the power people, whose funds include the \$1,100,000 being spent by the National Electric Light Association this year and the \$400,000 collected since last June 1 by the joint committee of utility associations, the more specialized agent of anti-Boulder Dam activity.

Among the day's revelations of the marvelous workings of light and power in the year 1928 were the following:

1. George F. Oxley, publicity director for the National Electric Light Association, defended his practice of inspiring newspaper editorials with the novel explanation that "it is absolutely fair for me to put into the hands of the editor material so that he can reflect on his own views in editorials."

2. Judge Healy put into the record a letter by Oxley to the Pennsylvania State utility information director, asking for a list of State legislators in Pennsylvania, because "we have a particular piece of work which we wish to do with them."

#### \$100 A WEEK FOR BOHN

3. Dr. Frank Bohn, a writer, was revealed as recipient of a retainer of \$100 a week from the joint committee of National Utility Associations while he was publishing power articles in the Sunday edition of the New York Times of October 2, 1927, and October 30, 1927.

4. The minutes of the National Electric Light Association's public policy committee, headed by Russell H. Ballard, president of the Southern California Edison Co., threw light on the motive for an annual payment of \$30,000 a year to the Harvard University School of Business Administration. The committee is on record as approving this payment on the ground that it will result in a textbook from Harvard on public regulation of utilities and "a textbook covering this ground would better appear under academic auspices than as a publication of the association."

5. The public policy committee voted to add to the \$150,000 appropriated by the Puget Sound Power & Light Co. to attempt a publicity campaign demonstrating the failure of the Seattle municipally owned electric-light plant. The policy committee said:

"Seattle's rates are continually cited as lower than those charged by privately owned plants; the claim of successful results of such a policy in Seattle is dangerous and requires refutation."

6. Paul Clapp, managing director of the National Electric Light Association, testified to a swing around the circle in the Southwest and Southeast, organizing meetings of utility executives, subordinate officials and employees, to stir up "generally diffused" opposition to the Swing-Johnson bill for Boulder Dam.

7. Alfred Fisher, director of the Missouri committee on public utility information, in 1926 reported to Oxley that "the most important work done by the Missouri committee last year was in directing the attention

of the industry to textbooks in public schools. You will agree with me that it would be most unwise to give this work any publicity." He added: "It is a matter for executive session between leaders of the industry, writers of textbooks, and printers thereof."

8. Prof. Theodore J. Grayson, of the University of Pennsylvania, is shown as the recipient of \$407.27 as "fees and expenses" for a public lecture delivered in New Orleans last October. The news report of the lecture, sent to editors by Grayson as a Pennsylvania professor, discloses that he classed Boulder Dam advocates with socialists. This designation would include such supporters of the legislation as the Los Angeles Chamber of Commerce, John Hays Hammond, Gen. George W. Goethals, and President Coolidge.

#### \$291.50 FOR A LECTURE

Grayson received an additional \$291.50 for a lecture at Richmond on December 1 last and \$288.29 for another address at Geneva, N. Y., on December 31. Judge Stephen B. Davis, New York head of the power lobby, in a letter to the Federal Trade Commission of March 21, 1928, wrote that "Mr. Grayson is an official of the New Jersey Public Utility Association as well as a college professor." The commission has also learned he is a Philadelphia lawyer, attorney for the New Jersey Water Service Co.

Doctor Bohn was shown to have been paid \$100 a week from July 16 to November 23, 1927. Maj. J. S. S. Richardson, publicity director of the joint committee, testified Thursday Bohn was paid this sum for "editing." His activity during this period included an article, "Superpower era of electricity," published in the Sunday New York Times of October 2, 1927, and an article, "The struggle over Government v. private development of water power," in the Sunday New York Times of October 30, 1927. In the October 30 article Doctor Bohn carefully balanced the advantages of public versus private ownership, with the balance always slightly in favor of private ownership.

#### ADDRESSES SOUGHT

The doctor's services were further explained in a letter of September 16, 1927, written by George F. Oxley, of the National Electric Light Association, to Thorne Brown, director of the mid-West of the National Electric Light Association, and reading:

"I am taking up with the joint committee the question of whether it is possible to arrange for Mr. Frank Bohn to make two or three additional addresses while he is in your division, and I am asking Judge Davis to correspond with you direct."

Perhaps the most amusing exhibit in the hearing is a letter written by Prof. E. A. Stewart, of the University of Minnesota, in 1925, to Dr. S. S. Wyer, long-established writer against public ownership, whose wares have been broadcast by the National Electric Light Association and the joint committee. Stewart thanks Wyer for sending him a pamphlet disputing the success of the Government-owned power system of the Province of Ontario. The professor writes that after reading a few of the excerpts contained in Wyer's pamphlet, "I couldn't help but think of the song:

"Hallelujah! Thine the glory,  
Hallelujah, amen.  
Hallelujah, Thine the glory,  
Revive us again!"

#### TRIES IT HIMSELF

Professor Stewart became so affected by the Wyer effort that he has recently himself made an elaborate report on what he calls the failure of the Ontario plan for providing cheap electricity for farmers. The pamphlet is being given nation-wide distribution by a Minneapolis public utility.

Dr. S. S. Wyer is author of the latest anti-Boulder Dam pamphlet, entitled "Study of the Boulder Dam Project," by Samuel S. Wyer, consulting engineer. This pamphlet, issued by the Ohio State Chamber of Commerce on January 30, 1928, and one of the exhibits introduced into the record, has been distributed broadcast through the country and put into the hands of every Representative and Senator.

The Ohio State Chamber of Commerce came into the picture yesterday when George B. Chandler, its secretary, was shown by exhibits and testimony to have labored for an anti-Boulder Dam resolution at a meeting of State chambers of commerce officials assembled in Atlantic City.

He actually succeeded in getting such a resolution considered favorably by the Connecticut Chamber of Commerce. However, they insisted upon expert advice as to what to do about Boulder Dam, and voted against it only after an adverse resolution had been prepared and submitted by Samuel Ferguson, president of the Hartford Electric Light Co.

#### WANTED AN INQUIRY

The next move for delaying action on Boulder Dam was prefigured by a resolution presented at the February 16, 1928, meeting of the public policy committee of the National Electric Light Association. The minutes of this session contain the following item:

"Mr. Paul A. Schollkopf, of the Niagara Falls Power Co., presented to the committee the desirability of securing an independent engineer-



ing investigation on the Colorado River. It was suggested that the United States Chamber of Commerce might properly set up a commission with the object in view of determining the soundest possible engineering treatment of the river, such a study to be started promptly in order that it may be completed early this fall."

The power lobby's method of working the newspapers is nicely illustrated in a letter of January 19, 1926, written by Oxley, of the light association, to Richardson, then head of the Pennsylvania public service information committee:

"Inclosed please find uncorrected proof of an editorial which will be published in the January 21 issue of the Progressive Labor World, which, of course, you know. Arrangements have been made to have the revised proofs of the editorial in the hands of Charles Penrose to-morrow.

"I thought it might be possible for you to call the editorial to the attention of some of your newspaper friends and perhaps the Associated Press representatives, with a view to having them list at least a part of it for use in some other paper in the city."

#### GREENWOOD'S BOOK

Yesterday's hearings gave further information regarding the propaganda book, *Aladdin*, U. S. A., by Ernest Greenwood, former member of the District of Columbia school board. The book was financed by the National Electric Light Association, which advanced \$5,000 to Greenwood and then purchased 5,000 copies for \$7,500 from Harper & Bros., publishers, "in anticipation of reselling" to public-utilities companies.

Oxley in a letter of January 8, 1928, "to member company executives," urged the wide distribution of the book and added the following quaint comment on its scientific value:

"Thomas A. Edison has written a foreword to the book and authorized the use of an autographed photograph as frontispiece. This, of course, will add to the value and convincing quality of the material in the book."

On January 13, 1928, Oxley again circularized "member company executives" with a "pamphlet reprint of an article by Ernest Greenwood, which will appear in the February issue of the *Industrial Digest*." The magazine article attached to Oxley's letter was entitled "Panning public utilities," and the subtitle was: "What is the basis of the popular pastime of picking on organizations with clean business records which always have paid dividends to their security holders?"

#### WOMAN URGES BOOK

Sophia Malieki, chairman of the women's committee of the National Electric Light Association, on March 22, 1928, addressed an appeal to "chairmen of women's committees":

"*Aladdin*, U. S. A., by Ernest Greenwood, is a book every member of the electrical industry ought to read. Students and club members frequently ask for material on the industry. This book is an authoritative source. Teachers and librarians will appreciate having the book brought to their attention or given them."

Further data were produced with respect to the trip to Washington made by ex-Gov. James G. Scrugham, of Nevada, in January, to confer with Judge Stephen B. Davis, director of the joint committee of National Utility Associations, which is leading the fight against Boulder Dam. For this trip Governor Scrugham was paid \$600 expense money. The controversy is still unsettled as to whether Scrugham invited himself to the conference or was invited by Judge Davis. Governor Scrugham has been an outstanding advocate of Boulder Dam legislation.

The exact date of the Scrugham-Davis conference was established as January 19 by an entry in an expense memorandum prepared by Judge Davis, accounting for a matter of \$3,395.04 of special expenses from December 9, 1927, to January 25, 1928. Attention was called to the fact that from January 12 to January 27 Judge Davis and George B. Cortelyou, president of the Consolidated Gas Co. of New York and chairman of the joint committee, were together in Washington, as shown by an item of \$1,282.14, described as expended for "Mayflower Hotel—Mr. Cortelyou and Judge Davis, railroad tickets, meals, and incidentals."

Scrugham apparently arrived in Washington in the middle of this period. Davis and Cortelyou were obviously in Washington fighting the Walsh resolution for investigation of the so-called Power Trust, for the resolution was defeated after Senate committee hearings on January 16 to 21, inclusive.

Yesterday afternoon the commission's hearings adjourned until next Wednesday, to give time to digest the trunk full of additional subpoenaed documents dumped in the hearing room yesterday.

#### ODDIE SCORES SCRUGHAM FOR POWER-LOBBY PAY

Senator TASKER ODDIE, of Nevada, yesterday made a statement criticizing ex-Governor James G. Scrugham, of Nevada, for accepting money from the power lobby:

"I was amazed that ex-Governor Scrugham should have accepted money from the power interests which are trying to defeat the Boulder Dam legislation.

"This partly accounts for some of the opposition on the part of Secretary Work and ex-Governor Scrugham to myself and to some of the important features of my stand on Boulder Dam legislation.

"Secretary Work and ex-Governor Scrugham have been working very closely together, and ex-Governor Scrugham is Secretary Work's personal representative on these matters in Nevada.

"Their attacks on my policy, in my opinion, were for the purpose of embarrassing the Boulder Dam legislation which we are trying to get through.

"I can see now where some of this influence came from."

Mr. NORRIS. Mr. President, I ask to have included in the *RECORD* a report from the same writer, printed in the same paper, in which the evidence reviewed shows how the State of Connecticut is being covered with propaganda, and how the school children of that State are being educated at the expense of the Power Trust along the line that is agreeable to those who control that great monopoly.

Mr. FRAZIER. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. FRAZIER. I want to ask the Senator if he understands that the Power Trust are not only furnishing these books, but donating them to the schools?

Mr. NORRIS. Oh, yes; they are donating them, and paying teachers and instructors wherever they can get them to go out in the country and make speeches. They are getting women's organizations, and all kinds of organizations that they can get. I will refer to some more of them as I proceed.

Mr. GOODING. Mr. President, does the Senator know whether the Associated Press and other organizations are carrying this news to the people?

Mr. NORRIS. I have looked into the matter for two days. In my judgment, the Associated Press carried a very small account of it. I was hardly able to get an intelligent idea of just what happened before the Federal Trade Commission from reading the Associated Press report.

Mr. GOODING. I ask that question because a newspaper man who was in the city two or three days ago, and who went over to New York, said the newspapers there were not carrying practically anything at all in connection with this investigation. He was astonished when I told him of some things the commission was uncovering. Possibly no more important information has ever been given to the public than is being furnished in the investigation now being made. Yet I understand the great press of the country is not carrying enough of it so that the people can get even an intelligent idea of what is being done.

Mr. COUZENS. Mr. President, will the Senator yield?

Mr. NORRIS. I yield.

Mr. COUZENS. Is it not also true that they catalogue Senators in some respects, as to what position they take, stating that some of them are safe and some are not? Is not that correct?

Mr. NORRIS. I have no doubt but that they have catalogued us. I do not know that that has been done down there yet, but I have no doubt that we are all classified, that some of us are classified as safe, and some of us are classified as sane, and some as bolshevik, and some as "red."

I was about to read what they were sending into the schools of Connecticut when I was interrupted. In order to meet any argument that may be made against them, they send out various things. The Senator from Montana put in the *RECORD* the other day a sample of a speech a man is to make when he is running against another for the United States Senate who is supposed to be friendly to Government ownership of anything. They send out a catechism to the children, consisting of questions and answers. I want to read one of them. Here is the question.

What is the effect of adverse criticism upon utility service?

A. When people in any community criticize adversely public utilities in their cities, they are advertising their own city to outsiders as a poor place in which to live and are thereby retarding its growth.

That is what the children are taught. You must not criticize the public utilities in your town unless they are owned by the municipality, and then you can give them fits every day.

Mr. JOHNSON. Is that a part of the curriculum of Connecticut?

Mr. NORRIS. It was sent into the public schools of Connecticut.

Mr. LA FOLLETTE. Does the Senator know how long ago they started teaching that in the schools up there?

Mr. NORRIS. I suppose they started it a good while ago, because I know there are men who come from Connecticut who are quite old who have those ideas.

Mr. President, I ask to have printed as a part of my remarks this entire article without further reading.

The PRESIDING OFFICER (Mr. Fess in the chair). Is there objection?

There being no objection, the article was ordered to be printed in the *RECORD*, as follows:

[From the Washington Herald, April 3, 1928]

CONNECTICUT'S YOUTH TAUGHT BY CATECHISM SENT TEACHERS—GRADE SCHOOLS ALSO ARE USING PROPAGANDA PUBLISHED BY LOBBY, INQUIRY DISCOVERS—PARTY BOSS INVOLVED—RORABACK COUNSEL FOR GROUP—NATIONAL BODY OF WOMEN FORMED TO "SPREAD GOSPEL"

By Edwin J. Clapp

"The little red schoolhouse" in Connecticut is using as a textbook in classroom work the Connecticut Public Utilities Catechism, published by the Connecticut Committee on Public Service Information, it was disclosed yesterday in the Federal Trade Commission's hearing on the so-called Power Trust and the power lobby.

According to Clarence G. Willard, secretary of the Connecticut committee, 76 high schools in the State are using his "catechism," while letters from Connecticut teachers aver that it is being used in grade schools as well.

#### SPENDS \$15,000 ANNUALLY

Other outstanding events in the day's developments were:

1. Disclosure that the Connecticut committee spends \$15,000 a year, of which it gets \$3,000 from the New Haven Railroad Co., \$2,500 from the Connecticut company, a subsidiary of the New Haven, and \$15,000 from the Connecticut Light & Power Co., a public utility, of which J. Henry Roraback, Republican boss in Connecticut, is counsel and chairman of the management committee.

2. The outlines were given of a nation-wide organization of women to spread the public-utility propaganda, their leaders being trained in a high-powered school of elocution, and then sent out like apostles to spread the gospel taught them with respect to rates, earnings, and public regulation.

3. The 1927 convention of the Great Lakes division of the National Electric Light Association, held last September, and the meeting of the Southern Appalachian Power Conference, last October, were both disclosed to have climaxed in appeals to mobilize power forces to defeat Boulder Dam.

#### GOT EXPENSES, TOO

4. J. Bart Campbell, Washington newspaper correspondent, who, according to the testimony, was employed by the power lobby to supply it with "news releases" at \$150 per month, is shown also to have received from the power lobby money for expense accounts, varying from \$51.11 to \$122.85 a month.

David Lawrence, publisher of the United States Daily, which had submitted to the power lobby a proposal for a \$202,800 advertising campaign in that newspaper, was defended in a letter submitted to the commission by the paper's director of advertising, Victor Whitlock, who said "the memorandum does not represent the views of David Lawrence, nor does it represent the views of our newspaper."

Judge Robert E. Healy, chief counsel of the Federal Trade Commission, admitted the letter to the record with the comment:

"I do it, however, without indicating anything as to what future inquiry may be made or seem desirable \* \* \* as I stated, I put this in without any inference whatever as to the future action or future inquiry on the same matter."

#### CATECHISM IS SENSATION

Without any doubt the sensation of the day was the Connecticut public-utilities catechism, revised and distributed to schools annually by the Connecticut committee.

In the committee's annual report for the year ended March 31, 1927, appears the item: "Church press, for printing catechisms, \$694.89." The cost of this year's edition was approximately \$800.

The caliber of the "catechism" is indicated by the following:

"Question 9. What is the effect of adverse criticism upon utility service?

"Answer. When people in any community criticize adversely public utilities in their city they are advertising their own city to outsiders as a poor place in which to live and are thereby retarding its growth."

According to the testimony of Secretary Willard, of the committee, there are 10,110 of these catechisms in use, copies having been ordered by 76 high schools. A letter dated January 11, 1927, to Willard from E. H. Parkman, superintendent of schools, of Thompsonville, Conn., says: "We have placed the catechisms in certain high-school classes and in several of our upper-grade classes, for the teachers find them very useful, indeed."

#### A SOLEMN RITUAL

The catechism is offered to the Connecticut schools with all the solemnity of a research document. On January 6, 1927, Willard wrote Frank W. Strong, principal of the Durham High School, thanking him for ordering 60 copies of the catechism, and adding: "It took us six months to compile it, most of the time being spent in verifying the text and making certain that everything was exactly according to facts."

Judge Healy pressed Willard closely with respect to his authority for some of the "facts" in the catechism. For example, in the answer to question 21, the catechism says that when communities attempt to offer a light-and-power service, "in every case it has been

found that the costs of the service are higher than when the service is furnished by a private corporation." Judge Healy questioned Willard, as follows:

"Q. In this paragraph 21 you undertake to prove to the high-school children that municipal ownership is a bad thing, don't you?—A. As a matter of fact; yes. I think it is so in every case I have heard of.

"Q. Don't you know whether it is or not? Don't you know that there are communities in this country served by municipal plants where the costs of the service are no higher than when the service is furnished by a private corporation?—A. I don't know.

#### CONVENIENT KNOWLEDGE

"Q. I want to ask you if, when you wrote that article, you knew anything at all about the cost of service in the municipality-operated plants I will name? Let us take first the city of Los Angeles.—A. Personally, I don't know."

Another of the catechism statements to which Judge Healy took exception is the following, also under question 21:

"Statistics have proven that the cost of living in cities which operate their own utilities is much higher than in cities where the public service is intrusted to private enterprise regulated by the public's servants on a commission."

This statement gave rise to the following colloquy between Judge Healy and the witness:

"Q. Do you remember whether a statement to that effect was sent out by the National Electric Light Association in a pamphlet?—A. It might have been. I don't remember.

"Q. The record here shows a statement of that kind was made by the National Electric Light Association, and the National Industrial Conference Board was cited as the authority, and we had in the record a letter from the National Industrial Conference Board, saying they never did anything of the kind.—A. That may have been a fact.

#### MIGHT BE ERRONEOUS

"Q. If that was the basis, it rests upon a mistaken basis, does it not?—A. I assume so."

The catechism, however, went like hot cakes in the Connecticut schools. Robert G. Blanchard, of the Lewis High School, Southington, Conn., wrote in October, 1926: "Your catechism is a real contribution to secondary education; we would like 150 copies."

The most glowing eulogy of the catechism was given by Ralph W. Hedges, principal of the Warren Harding High School, of Bridgeport, in a letter to Willard, dated September 16, 1927:

"Will you kindly send us 1,300 copies (of the new edition)? We wish to thank you very much for this material and to congratulate you upon the splendid work which you are doing for the public schools of the State of Connecticut. We not only make use of the material in many of our classes, but we also have placed a copy in the hands of every pupil in our school."

Willard testified that he keeps a stream of "clip sheets" pouring out to a mailing list of 1,036, which includes 108 newspapers, 128 banks and trust companies, 40 chambers of commerce, and 237 high-school students. In a letter of November 4, 1925, Willard reported to the chairman of the committee, Samuel Ferguson, president of the Hartford Electric Light Co., on the success of getting the clip sheets into the schools:

"For the past few months we have been making an effort to interest the high schools in the State to use our clip sheets in their classrooms, particularly in the study of civics. I believe this work is of value in shaping many future opinions. Within the next six months I trust we may be able to have our clip sheets used generally throughout the State, just as the Literary Digest and Current Events are used to-day."

Prompt action to prevent Boulder Dam legislation was taken by A. Bliss McCrum, director of the West Virginia committee, immediately after receipt of the circular telegram of January 7, 1927, sent to all State committee directors by George F. Oxley, publicity director of the National Electric Light Association. McCrum promptly wrote Oxley on January 10:

"Probably the most effective way in which the West Virginia association in this State can help is by getting in contact with Members of the House of Representatives from the State of West Virginia. I am taking the matter up with some of the more active members of the association and will ask them to get in touch with their Representatives in the House of Representatives at Washington."

#### CONFERENCE ALARMED

The October 13, 14, 15, 1927, meeting of the Southern Appalachian Power Conference, at Chattanooga, adopted a resolution favoring private instead of "political" ownership. The delegates were addressed by William H. Onken, jr., editor of the Electrical World, of New York City, who said:

"The inhabitants of other States are as anxious, I take it, as are the politicians of California, to protect the inhabitants of the Imperial Valley against flood. But that is not to say that they will shut their



eyes to the water grab promised in the Swing-Johnson bill or the effort also there made to put the Government in business and to thwart the Federal water power act."

The September 22-24, 1927, annual convention of the Great Lakes division of the National Electric Light Association, at French Lick, closed with the following remarks on Boulder Dam by President Sands:

"You may think that the Boulder Dam issue, in so far as Government operation of the electric light and power end of the business is concerned, is of minor importance, but it is these beginnings of the intrusion of the Government into our business that must be resisted."

#### A WORD TO BOSSES

Speaking at the fifth annual meeting at French Lick of the Great Lakes division of the National Electric Light Association, whose minutes were introduced into yesterday's hearing, Chester Corey, vice president of the Harris Trust & Savings Bank, of Chicago, stressed the "political value of customer ownership of the stock of public utilities." He said that "many instances could be cited of the appreciation of the politicians of the unwisdom of favoring legislation adverse to the safety of investments made in small units by a very large number of their constituents."

This September meeting at French Lick was also addressed by Miss Isabel Davis, secretary of the National Electric Light Association's women's committee, which, she said, was organized five years ago to "give the women of the country an idea of what the electric light and power industry is."

The national committee makes plans that are followed by a women's committee in each member company, meeting monthly and listening to facts on "regulation, financing, superpower, private versus political ownership, as presented by executives, and the women are encouraged to take part in the discussion following."

#### DESCRIBES WORK

The missionary work being done by these women was thus described by Miss Davis:

"A large number of the committee are studying public speaking under qualified instructors, with practice within their meetings. And from this activity many speakers are being developed who are qualified to appear before groups outside the industry. Two young women members of the women's committee of the southwestern geographic division traveled over that division, making a town a day, and in each town they talked two or three times. They addressed business women's clubs, women's social clubs, men's civic clubs, and even the employees of a big cracker factory, and reached thousands of men and women with facts about the industry."

"In New Orleans a young lady conducts classes of school children through the power plant, explaining in simple language the uses of electricity, how it is generated, and telling them about the policies of the company which serves them."

Mr. NORRIS. Here is another one, reporting another day's work down in the commission, from the same paper, written by the same man. I read a paragraph from it:

At hearings in the investigation of the so-called Power Trust it was frankly admitted that \$20,225 of this money—

of a much larger sum—

was spent secretly, and was never accounted for.

The distributor of this money was Walter H. Johnson, of Philadelphia, until recently president of the Philadelphia Electric Co., and now head of the public policy committee, Pennsylvania Electric Association. He could not remember where a single dollar of it had gone, although on February 29 of this year he spent the last \$675 of it.

I ask that the whole article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Herald, May 4, 1928]

STATE LOBBY WORKED UPON PENNSYLVANIA LEGISLATORS—FEDERAL TRADE COMMISSION BARES HOW ELECTRIC CO. PAID WAY INTO FAVOR AT CAPITAL—NO RECORD OF \$20,225—PAID PROPAGANDA TWISTED BOOKS IN SCHOOLS TO CONFORM WITH POLICY OF CORPORATIONS

By Edwin J. Clapp

A \$59,000 slush fund used by the electric power interests to hire lobbyists and influence legislators in Pennsylvania was uncovered by the Federal Trade Commission yesterday.

At hearings in the investigation of the so-called Power Trust, it was frankly admitted that \$20,225 of this money was spent secretly, and was never accounted for.

The distributor of this largess, Walter H. Johnson, of Philadelphia, until recently president of the Philadelphia Electric Co. and now head of the public policy committee, Pennsylvania Electric Association, could not remember where a single dollar of it had gone, although on February 29 of this year he spent the last \$675 of it.

There is a man who spent something over \$20,000 in the course of several years, just winding up last February, and he

can not give to the inquirer the name of a single person who got a penny of it. He has no recollection of the identity of anyone who got a single cent of that money. I suppose that man was under oath, and I presume most of those who are doing me the honor of listening to me now are attorneys, or, if they are not, they have had some experience in court. Is there a man within the sound of my voice who will say that a witness who handles that much money, and does it secretly, tells the truth when he says within two or three months after he is through spending it that he can not remember a single individual who got a penny of it? Nobody will believe that story.

If the ordinary man went to court or before a commission and gave that kind of testimony, nobody would hesitate to brand him as a perjurer, but if he is connected with the great Electric Power Trust that has its fangs upon the communities from the Atlantic to the Pacific and from the Lakes to the Gulf, then we look upon it just as a slip of memory.

Reading further from this article:

#### LEGISLATIVE LOBBY

According to exhibits introduced yesterday, \$38,775 more expenditures of Johnson's public policy committee were disbursed to individuals admittedly hired to operate upon the State legislators in Harrisburg. Prominent men in Pennsylvania are involved in the disclosures.

The Boulder Dam bill, now pending in the Senate, came in for a large share of the attention of the utility organizations of Pennsylvania, which assembled in meeting to pass resolutions against it, and devoted to it liberal space in the publicity matter they distributed.

Schools and newspapers are no more neglected by Pennsylvania than by the other States thus far investigated. The State utilities information bureau has investigated the textbooks on civics and economics used in the State and published a survey, indicating "unsound" information they contained.

#### 120,000 PAMPHLETS

Thirty thousand sets of four pamphlets on public utilities, corresponding to the "catechism" distributed by the utilities to the schools of Connecticut, have been sent out by the Pennsylvania information bureau to the school children of the State.

The testimony disclosed that in Pennsylvania they had discarded outgrown methods of sending "news" to the papers. Instead, "contact men" take matter to the editors direct.

Exhibits disclose the utility men urging liberal advertising expenditures, especially among rural newspapers, on the ground that "paid advertising is manna to the country newspaper," and "it helps you to more readily interest them in your point of view" if they are given paid advertising.

#### A SPY SYSTEM

An "important and confidential" memorandum addressed to "executives of Pennsylvania public utilities" by the State information bureau urges each one of them to "delegate some one of your organization to the following task:

"To report to the committee director the names of newspapers which do not quote items from the news bulletin." (Sent out by the committee.)

In other words, they not only send out paid advertising to any newspaper, according to the theory that I have just read, but they send out bulletins and then they hire spies to report to them the names of the newspapers who do not publish from those pamphlets any part of the propaganda which is sent out to them.

I remember in one of these articles—I think I ought to read that particular item—there is shown a contribution of the trust made to a religious paper, and one item of expense on that account shows an expenditure of something over \$600. I can not just find it at the moment, but it is in some of the articles which I am having placed in the RECORD, and Senators will be able to find it there.

The article from which I last read continues:

An interested and attentive observer of the day's proceedings was ex-Gov. Gifford Pinchot, of Pennsylvania. More than half of the \$59,000 slush fund was spent when the Pennsylvania power lobby was waging its successful attempt to defeat the 19 bills that Pinchot had introduced into the Pennsylvania Legislature to make possible its giant power system, with its provision for the sale of cheap current to municipalities and farmer groups, and also bring about a more stringent regulation of the earnings of Pennsylvania utility companies. During the afternoon Mrs. Pinchot sat by the governor, knitting.

A few feet away, another attentive spectator, sat one of Pinchot's political enemies, Philip H. Gadsden, of Philadelphia, vice president of the United Gas Improvement Co., in charge of public relations.

Gadsden is likewise vice chairman of the national power lobby, the joint committee of National Utility Associations in New York, and is also chairman of its executive committee. Gadsden was accompanied by Josiah T. Newcomb, \$35,000 lobbyist of the joint committee.

The star witness of the day, and of the entire investigation to date, was Walter H. Johnson, of Philadelphia. His avocation is the chairmanship of the public policy committee of the Pennsylvania Electric Association; his business is assistant to the chairman of the board of directors of the Philadelphia Electric Co. Johnson gave a classic and an engagingly frank exhibition of the standards, the methods, and the memory lapses of men who handle special funds used to influence legislation.

He could not remember where or how or when or to whom he disbursed any of the \$20,225 he had handled. All he knew was that it had been honorably and lawfully spent. He just drew the money out at different times, put it in the safe, and used it. He said he thought it was perfectly proper for a person to appear before a legislative committee as a witness and conceal the fact that he had been paid.

Here is some questioning about Pennsylvania:

JUDGE SHARPLY QUESTIONS MAN WHO HIRED "HELPERS"

Johnson's views met with sharp comment from Judge Edgar A. McCulloch, Federal Trade Commissioner in charge of the investigation, and Judge Robert E. Healy, chief counsel of the commission, who conducted the examination. With reference to Johnson's secret disbursements of cash drawn from the bank account of the public policy committee of the Pennsylvania Electric Association, the following colloquy took place:

"Q. Is it correct to say that the principal expenditures of the committee have been in connection with legislative matters in Pennsylvania?—A. That is correct.

"Q. Who employed these various lawyers and experts for the services rendered?—A. I did.

SELDOM THERE

"Q. Was that your particular function?—A. That was my particular function as chairman of the committee.

"Q. Did you attend the legislative sessions yourself to some extent?—A. Oh, very seldom.

"Q. Do you discuss the bills with the members of the legislature?—A. I discussed the bills with counsel.

"Q. You don't go up and undertake to buttonhole the legislators?—A. No, sir.

"Q. Your method is to stir the people back home up to write the legislators?—A. That is correct.

"Q. That is the way you have the pressure exerted on them?—A. Yes, sir.

"Q. And through your counsel you get people to go and speak against the bill?—A. Correct.

YES, OF COURSE

"Q. Are the counsel also expected to talk with legislators outside of committee hearings?—A. Why, of course, I don't see why they should not.

"Q. And if they can get a friend of theirs in the legislature to oppose a measure there, they are expected to do that?—A. Of course they are.

"Q. If one or more of them has a specially wide acquaintance in the legislature, wouldn't that be looked upon as an advantage?—A. It certainly would.

"Q. Do you think it takes special legal skill to do this kind of work that is referred to in the legislature, or don't you undertake to select men that are popular with the legislators and have a wide acquaintance in the legislature?—A. I should say that, of course, we employ men that have a wide acquaintance. Yes; certainly; but they are honorable and they have got to have good common sense."

HE KEPT NO EXPENSE BOOK, "SO NONE COULD EVER KNOW"

Johnson admitted to Judge Healy that he had been "the main legislative man in the public-policy committee" and that he had received, on dates specified, \$20,225 in cash from W. E. Long, treasurer of the committee, the sums ranging from \$250 to \$7,500, the last payment being \$675 on February 29, 1928. With respect to each item the question was asked, "What did you do with it?" and the answer was, "I don't know." For example:

"Q. On the 18th of March, 1927, you received in the same way the sum of \$7,500?—A. Correct.

"Q. What did you do with that?—A. I don't know. If Mr. Long had told me, I would recall it. It might have been some cleaning-up matters.

"Q. Who cleaned up?—A. Well, what I mean is not the way you are taking it. There are expenses connected with the honorable discharge of duties performed, and that is the only way I can account for that.

WANT IT SECRET

"Q. If they are incurred in an honorable discharge of duties, why is the payment handled by Mr. Long drawing the money and turning it over to you in cash?—A. Simply because people—we don't want people to know who gets the money.

"Q. Very good. You don't want people to know who gets the money.—A. I don't know who got it. I can not answer that. I can't answer that if my life depended upon it. The legislature is in session

year by year. I had a corporation I was trying to handle, and I had to have people do the details for me, doing the work, as you have your honorable, distinguished attorneys around you to assist you.

"Q. I am beginning to understand why you were chairman of the committee. Answer my question. If this money was spent honorably and lawfully, would there be any objection to telling who got it and how much?—A. Yes, sir; there would.

"Q. There would, although it was honorable and lawful?—A. Yes, sir.

"Q. But you are unable to tell about where any of this money went?—A. Correct.

ALWAYS A SECRET

"Q. Beginning with the first item in December, 1922, your mind is just as blank as with respect to the one of March 18, 1927?—A. That is correct.

"Q. Barely a year ago?—Yes, sir.

"Q. The sum of \$7,500?—A. Yes, sir.

"Q. Have you no recollection at all as to why you proposed to Mr. Long that the money should be handled in this way?—A. Except I thought it was the way to do it.

"Q. It was because you didn't want it known who got the money and how much, Mr. Johnson?—A. Of course.

"Q. And if we don't know who got the money and how much, we will never know what they got it for, will we?—A. No, sir.

"Q. Or whether it was honorable and lawful?—A. No, sir.

"Q. And you don't intend to tell us, do you?—A. I don't know. I scratched my brain to try to find out."

At this point Commissioner McCulloch intervened:

"Commissioner McCULLOCH. You can't remember a single individual you paid any of that money to?"

"The WITNESS. No, sir.

"Commissioner McCULLOCH. Did you carry it around in your pockets and hand it out?"

"The WITNESS. No; I paid it out—I put it in the safe and used it. That is, if it was for entertainment, traveling expenses, I would send for people and pay their expenses and then give them something for their services.

"Mr. HEALY. Wasn't some of that money paid to people in that way that were to go before the legislature and into the committees in opposition to these bills?"

"A. I should think so, but I would not say so.

"Q. A person paid by your association would go to the legislature and oppose a bill without disclosing the fact that he was being paid?—A. Of course.

"Q. That would be perfectly honorable and lawful?—A. Yes, sir.

"Q. All right. That gives us some standard by which we can judge the use that was made of the rest of the money, perhaps."

And so on. Mr. President, I ask to print, without further reading, the remainder of the article.

The PRESIDING OFFICER (Mr. SACKETT in the chair). Without objection, it is so ordered.

The remainder of the article referred to is as follows:

WHO TOOK THE BIG MONEY BROUGHT TO LIGHT AT LAST

Judge Healy questioned Mr. Johnson closely to ascertain whether the public policy committee had opposed the giant power bills of Governor Pinchot because they opened the way for the development of public ownership. Mr. Johnson was unable to recall that public ownership was in any way a feature of the giant power proposition until he heard Judge Healy read into the record a pamphlet attacking Giant Power on this ground written by Charles Penrose, brother of the late Senator Boies Penrose, and given nation-wide circulation by the Pennsylvania Utility Association assisted by the Investment Bankers' Association.

Mr. Johnson closed his testimony with: "I do not think that the Giant Power bills are practical, to begin with, and I do not think that they are to the best interests of the dear people."

Among the known recipients of the funds of the Pennsylvania Association's public policy committee, a leading beneficiary was John P. Connelly, who got \$14,103, of which \$11,525 was paid him during the period when the utility companies were fighting the giant power bill and the tri-State water-power pact. Connelly is a chief lieutenant of WILLIAM S. VARE, Philadelphia Republican boss, who spent \$800,000 to win a seat in the United States Senate in 1926 and has not yet been seated.

LAWYER LOBBYIST

Payments totaling \$14,615 were made to the Philadelphia law firm of Hause, Evans & Baker, one of whose members, Berne T. Evans, is known as the chief lobbyist of the power interests in Pennsylvania. All but \$2,000 of this fund was paid during the fight over giant power and the tri-State pact.

J. H. Bigelow, chairman of the Democratic State committee, got \$1,000 on March 3, 1926. On April 17, 1926, \$1,000 was paid to James F. Burke, of Pittsburgh, former Member of Congress, and one of Andrew W. Mellon's political lieutenants. The \$1,000 to Burke was



paid via the Duquesne Light & Power Co. Burke was VAB's original counsel in the Reed committee investigation.

Another \$1,000 went to William T. Ramsey, formerly wet mayor of Chester, Pa., and former member of the State legislature. This payment was likewise made indirectly, a double play from Long to Ramsey via Albert R. Granger.

Daniel T. McKelvie, of Hazelton, whom Long described as "not a lawyer," received a total of \$7,050 for services on legislative matters between March 3, 1926, and April 26, 1926.

#### NEWSPAPERS, COLLEGES

The technique of handling the newspapers was explained by A. G. McKenzie, director of the State utility information bureaus of Pennsylvania and New Jersey, at a meeting of the Pennsylvania Electric Association on November 7. Mr. McKenzie spoke about the value of utility companies carrying advertisements in the newspapers, especially the small and rural papers. He stated it was his experience that it was extremely difficult to interest the newspapers in your welfare unless you are interested in the welfare of the newspapers.

The minutes of the same November meeting also disclosed some attention paid to the colleges:

"Mr. Kuhn mentioned that he believed it would be a good idea to check up on the trend of teaching as imparted in the colleges and universities, especially in economics and liberal arts schools, in relation to the utilities. So many courses in these schools are in the form of lecture courses, and unless the professors have the right point of view, immense damage will be done to the industry. Most of these lectures are not based on textbooks, consequently, he declared, the textbooks will not disclose the main source of the trouble."

Examination of the weekly clip sheets of the Pennsylvania Public Utilities Information Bureau during 1927 discloses frequent items attacking the present Swing-Johnson bill for Boulder Dam, with major articles against them on February 14 and September 12. A meeting of the public relations committee of the Pennsylvania Electric Association at Altoona, Pa., February 28, 1927, was largely devoted to attacking the Boulder Dam bill and devising means of fighting it.

#### SWING-JOHNSON BILL

The meeting was called to order by Mr. Shearer with this address:

"It is quite an opportune time for this meeting to be scheduled because of the agitation being fostered in various quarters against the public utilities. It is essential that steps be taken by the industry to combat the propaganda of the agitators. Every day brings to our attention some new movement aimed at the public utilities.

"At the present time there is pending in the Senate the 'Swing-Johnson bill,' which is being promoted primarily by a group of legislators interested in the nationalization of the electric light and power industry. This bill is the first big effort of the Government ownership group to get the Federal Government to go into the power business. This bill is of momentous importance to the electric light and power industry, because it will establish a precedent for other similar projects.

"We also have ex-Governor Pinchot active as ever in the promotion of his 'Giant power.' Only recently he paid a visit to Portland, Me., to deliver an address on the 'Superpower monopoly.' He is now in Washington and is quite active behind the scenes, in all Government ownership propaganda. Only on last Friday Senator WALSH of Montana introduced a bill in the Senate providing for investigation of the public utilities.

"In addition to these efforts we have men of the caliber of Professor Ripley, of Harvard, issuing articles and books, all aimed at the electric light and power industry."

Hearings will resume this morning at 10 o'clock.

Mr. NORRIS. The question is asked sometimes by the writer and the question presents itself to anyone who looks into it or who listens to this wonderful tale of evidence coming before the Federal Trade Commission, Who pays the bill? Where did they get the \$7,500. Where did they get the \$400,000 that was used to pay the lobby in this city? Where did the other company, speaking of the electric light company, get the more than \$1,000,000 that was used in propaganda purposes? Who paid this money? Just ask yourselves the question, Who paid this money?

Every penny of it came from those who use the public utilities. They have no other source of income. The man who, by the electric light in his humble home, reads his evening paper, is making his contribution. The woman turning out washing for her neighbors with an electric washing machine is paying her share of this boodle money. Every man who uses an electric light, every man who uses any electric power, whether he is getting it in large quantities or in small quantities, is making his contribution. Although it may be made in pennies, in the aggregate it amounts to millions. That same money is used to deceive the very men and the very women who make the contributions from their daily wages.

That is what is being shown up right in this city. The evidence discloses the fact that it is coming from all over the United States. I have only touched some of the high spots. They have only touched some of the high spots as far as they

have gone. But it does disclose that this organization, handling millions of dollars, is looking after not only the Senate of the United States, not only the House of Representatives of the United States but every legislature in the land, and down to every street commissioner running for office where he has anything to do with regulation. It will be found that they are some of the principal contributors in presidential campaigns. There is nothing that escapes this great trust. From the public schools and the humble homes into the public halls of the legislatures and the palaces of the officials, both of the State and of the Nation, this wonderful trust is sending its information tending to deceive and to misrepresent the truth to the American people.

#### INDEPENDENT OFFICES APPROPRIATIONS

Mr. WARREN. Mr. President, the bill now before us, the independent offices appropriation bill, is the second one we passed this session. It has been in the mill all the time up to the present moment. No one can be more sorry than I am that we must disappoint the Senator from Wisconsin [Mr. LA FOLLETTE], but we have done all that I feel we can do.

I want to ask the Senator himself and I want to ask all Senators present to vote "yea" upon the motion, so we can finish with this long, drawn-out affair which we have had on our hands for some two months.

Mr. LA FOLLETTE. Mr. President, I feel that this amendment is of too much importance to yield to the appeal of the Senator to vote with him upon this motion.

In connection I ask to have inserted in the RECORD at this point a copy of a letter written by Andrew Furuseth to Hon. Martin B. Madden at that time chairman of the Committee on Appropriations of the House.

The PRESIDING OFFICER. Without objection, it is so ordered.

The letter is as follows:

JANUARY 2, 1928.

HON. MARTIN B. MADDEN,

*Chairman Committee on Appropriations of the*

*House of Representatives,*

*House Office Building, Washington, D. C.*

DEAR SIR: On behalf of the seamen I beg most respectfully to call to your attention that there are two services which are substantially duplicating, and for the expenses of which appropriations have for some time past been made by Congress.

This matter was brought to the attention of Mr. Wood's subcommittee. I was granted a hearing in which I tried to develop the facts. Fearing that to some extent I failed, I beg respectfully to submit the following facts:

The sea service bureau was organized as a war measure and as such it did fully as much good as might be expected. In the war there were three lines of service that might be followed by a young man. The Nation needed men for the Navy, and the young man might enlist for a specific time; it needed men for the expanding of the merchant marine, and here the young man might enlist for the war, if he could find the proper information, the means to reach a seaport and the opportunity to join a vessel; or he might be drafted for the Army. There might be the most honorable reasons why he desired to choose the merchant service. Mr. Henry Howard, a wealthy citizen of Boston, undertook to perfect an organization which would give to the young man the information and the means to permit him to choose the merchant marine. It was called the Recruiting and Training Service. The young men were recruited, given a very short training, and then were sent to the vessels, where they were utilized by mixing them with the more experienced men, and thus expand the personnel very sorely needed. The young men came in great numbers, they served during the war. They wrote home and urged others to come; they came, and the organization was a success during the war.

When the armistice came the men, who had come from motives of patriotism—and they constituted the great majority—left to take up their duties on shore. The sea service bureau then became nothing but an employment office and partly a duplication of the United States shipping commissioners' offices, which had since 1872 been in operation in all ports of entry which were also ports of ocean navigation. The purpose of those offices was to furnish a place where masters might come to select crews for their vessels without the interference of private employment agents, usually called crimps. That such was part of their duty is found in section 4508, Revised Statutes, page 41, navigation laws, 1927, which reads:

"First. To afford facilities for engaging seamen by keeping a register of their names and characters.

"Second. To superintend their engagement and discharge in manner prescribed by law.

"Third. To provide means for securing the presence on board at the proper time of men who are so engaged.

"Fourth. To facilitate the making of apprenticeships to the sea service.

"Fifth. To perform such other duties relating to merchant seamen or merchant ships as are now or may hereafter be required by law."

The sea service bureau is duplicating these duties except in the bare signing and discharging of the men and that having relation to apprenticeships, and the work is done in such way that it violates the law as laid down by the Supreme Court of the United States; that it deprives the master of the right to select the men for his vessel by keeping a deferred list (blacklist) of the seamen who, for one reason or another, may have become disliked by any of the officers of the last vessel. (See hearing.)

The young American seeing his shipmate blacklisted or finding himself blacklisted writes to his home and friends, who as a result stay away. This again results in the best and most promising young men refusing to seek the sea and thus leaves the bureau in position to gradually furnish the more unfit. There is thus created a condition under which unfitness is steadily increasing, and this is not the only grievance that the young man has against the sea service bureau, though it is one of the most serious and the one most easily proven. (See hearings.)

The condition results in a turnover under which any development of a skilled personnel is impossible.

The president of the Merchant Fleet Corporation confesses to this much when he says:

"A recent investigation of the accidents occurring on one steamship line discloses that three of every five of the injuries or deaths result from human rather than mechanical failure."

To one who knows sea life it is rather plain that the human failure is also responsible for, or at least very largely responsible for, the two mechanical failures, because in a seaworthy vessel with a seaworthy crew—and that means a skilled personnel—the mechanical failures are discovered and replaced. It would thus appear that the lack of skill is even more serious than stated.

In the name of not only the seamen, but in the name of the hope that we have for the development of a necessary sea power for America, this letter is submitted in addition to what was developed in the hearing.

Most respectfully yours,

ANDREW FURUSETH,

President International Seamen's Union of America.

Tradition and history alike testify to the wisdom of having the master select the crew for his vessel, and the decisions of the courts, extracts of and references to which are found below, make it part of the maritime law.

Farrell v. McCrea (1 Dallas, 304, 305):

"There was no distinction in this respect, between the mate and a common mariner; they were alike subject to the order of the master, who could equally refuse to receive either; or, when received, was equally empowered to dismiss them, for his appointment as master gave him the sole undoubted and exclusive right of choosing every seaman under him, whatever courtesy he might be inclined to show to the recommendation of those by whom he was himself employed."

Butler v. Boston Steamship Co. (130 U. S. 527, 554):

"By virtue of his office and the rules of the maritime law, the captain or master has charge of the ship and the selection and employment of the crew. \* \* \*"

Respondents' rules are, therefore, in derogation of the decisions of this court and the general maritime law. The master being responsible for the wages of the crew and the safety of the ship and the lives of everyone on board, he should have the common right of selecting his own crew.

The PRESIDING OFFICER. The question is, Shall the Senate recede from its amendment No. 9?

Mr. LA FOLLETTE. On this question I ask for a division.

On a division, the motion was agreed to.

#### ENROLLED BILLS SIGNED

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

H. R. 10536. An act granting six months' pay to Anita W. Dyer; and

H. R. 12733. An act to authorize the refund of certain taxes on distilled spirits.

GOV. ALFRED E. SMITH

Mr. BRUCE. Mr. President, I desire to have inserted in the RECORD a letter from Mr. Frank R. Kent to the Baltimore Morning Sun of this morning, in which he laughs to scorn the idea that after we have forced, as we have practically done, the nomination of Governor Smith as President of the United States, we propose to acquiesce in the insertion in the next Democratic national platform of a dry plank or any dry being associated with Governor Smith as a candidate for the Vice Presidency.

I desire to read just one short paragraph:

It is manifestly absurd to nominate Smith, a recognized and avowed wet, and then stand him on a dry platform or link him with a dry running mate. To do either of these things would make the candidates and the party ridiculous. It is possible in politics to straddle and it is possible to pussyfoot, but it is not possible to face simultaneously both ways without some sort of camouflage or concealment.

To nominate Smith on a dry platform and with a dry candidate for Vice President would simply be a great national joke.

I ask that the entire article be inserted in the RECORD at this point.

The PRESIDING OFFICER. Without objection, it is so ordered.

The article is as follows:

[From the Baltimore Sun, May 4, 1928]

THE GREAT GAME OF POLITICS—A SENSE OF DIRECTION IS IMPORTANT

By Frank R. Kent

WASHINGTON, May 3.—With the selection of Governor Smith as the Democratic standard bearer conceded on all sides the interesting question now is: What logically follows? Where does this leave the Democratic Party? In what direction is the donkey faced? In other words, what does the Smith nomination mean?

The answer seems clear. The California primaries not only definitely determine the party nominee but with almost equal definiteness indicate his issue. It is manifestly absurd to nominate Smith, a recognized and avowed wet, and then stand him on a dry platform or link him with a dry running mate. To do either of these things would make the candidates and the party ridiculous. It is possible in politics to straddle and it is possible to pussyfoot, but it is not possible to face simultaneously both ways without some sort of camouflage or concealment.

To nominate Smith on a dry platform and with a dry candidate for Vice President would simply be a great national joke. It will not likely be done, though some of our most earnest politicians and publicists are proceeding on the theory that it will. They talk and write earnestly about the necessity of nominating for second place a Protestant dry from the South and insist that a plank satisfactory to the friends of the Volstead Act must be incorporated. Carrying out this idea, all of the vice presidential possibilities mentioned in the Washington dispatches are dry—Moody, of Texas; Daniels or McLean, of North Carolina; Hull, of Tennessee; George, of Georgia; Byrd, of Virginia.

The Protestant and South part of this is sound enough, but it is hard to understand how the idea of a dry can be reconciled with reason—why it does not at once appear impractical and impolitic on its face. Logically, such a course could not fail to weaken the ticket. To the extreme wets it would seem a cowardly compromise. To the extreme dries its rank insincerity would be plain. To the moderates the incongruity of a dry and a wet on the same ticket would seem inexcusable. It would be as if in former campaigns a free silverite had been linked with a gold-standard man, or a high protective tariff advocate with a free trader.

It just will not work. Plainly, prohibition is going to be the vibrant question of the campaign. It is all very well to talk about corruption as the big issue, but no practical politician believes it possible to arouse the people very greatly now over the misdeeds of the Harding régime, rotten as they were. California showed that. The two candidates who regard corruption as the issue were the two Senators whose work in uncovering corruption has placed the country deeply in their debt—WALSH and REED. Their national services are far greater than any rendered by Smith. Yet Smith beat them 5 to 1; got many more votes than both combined. WALSH, a convinced dry, ran last. REED, a wet, who wants to subordinate all issues to corruption, was a poor second. Smith, the real wet, got more than 60 per cent of the total Democratic vote in this dry State.

It is impossible to question that those who voted for Smith did so because they approve the things for which he stands. The principal thing for which he stands, so far as the voters outside New York know, is modification of the Volstead Act. Hoover, who will probably be his Republican opponent, does not favor modification, and his party will not propose it. What an absurdity under the circumstances for the Democrats to nominate a man for President who favors liberalization of the Volstead act and a man for Vice President opposed to any change?

They would be travelling in opposite directions on the main line. The presidential candidate's views on the big issue would clash with the vice presidential candidate's. There would be discord from the start. Smith's running mate would be in tune with Smith's opponent, rather than with Smith. Smith would have—to avoid stultification—to repudiate his running mate or his party platform, or both.

It isn't possible to affirmatively face both ways and get away with it this time. It might be if the presidential nominee had no views and



no record on this issue; but it is not possible with Smith, who has both views and record. Unless the party is prepared to adopt a platform and provide a running mate in sympathy with its leader, it might as well throw up the sponge. "If," as one newspaper says, "they are not going to follow him it is absurd to nominate him." A hybrid ticket on a pussyfooting platform will hardly make an effective appeal. If you run in both directions, you never arrive.

#### DONATION OF BRONZE CANNON TO CHARLESTON, S. C.

Mr. SHEPPARD. From the Committee on Military Affairs, I report back favorably without amendment the bill (H. R. 6492) to authorize the Secretary of War to donate to the city of Charleston, S. C., a certain bronze cannon, and I submit a report (No. 1001) thereon. I call the attention of the Senator from South Carolina [Mr. BLEASE] to the report.

Mr. BLEASE. I ask unanimous consent for the present consideration of the bill.

There being no objection, the bill was considered as in Committee of the Whole, and it was read, as follows:

*Be it enacted, etc.,* That the Secretary of War is authorized and directed to donate, without expense to the United States, to the city of Charleston, S. C., a smoothbore, muzzle-loading, bronze field gun, No. 124, captured from the Confederate forces, and now in the Watervliet Arsenal, Watervliet, N. Y.

The bill was reported to the Senate without amendment, ordered to a third reading, read the third time, and passed.

#### TAX REDUCTION

Mr. CURTIS. Mr. President, I ask that the revenue bill be laid before the Senate.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 1) to reduce and equalize taxation, provide revenue, and for other purposes.

#### EXECUTIVE SESSION

Mr. CURTIS. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business. After 10 minutes spent in executive session the doors were reopened.

#### RECESS

Mr. CURTIS. I move that the Senate take a recess until 12 o'clock noon to-morrow.

The motion was agreed to; and the Senate (at 5 o'clock and 25 minutes p. m.) took a recess until to-morrow, Saturday, May 5, 1928, at 12 o'clock meridian.

#### NOMINATIONS

*Executive nominations received by the Senate April 4 (legislative day of April 3), 1928*

##### MEMBER OF UNITED STATES CUSTOMS COURT

Genevieve R. Cline, of Cleveland, Ohio, to be a member of the United States Customs Court, in place of Hon. William C. Adamson, retired.

##### APPOINTMENTS IN THE REGULAR ARMY

Capt. George Edward Kraul to be a captain of Infantry, with rank from July 1, 1920.

(NOTE.—The nominee is now a captain of Infantry, with rank from November 25, 1920. This message is submitted for the purpose of correcting an error in his date of rank.)

##### MEDICAL ADMINISTRATIVE CORPS

##### To be second lieutenants

Staff Sergt. Omer Antonio Couture, Medical Department, with rank from April 30, 1928.

Staff Sergt. Edward James Gearin, Medical Department, with rank from April 30, 1928.

Staff Sergt. Ralph Beveridge Robinson, Medical Department, with rank from April 30, 1928.

##### APPOINTMENTS, BY TRANSFER, IN THE REGULAR ARMY

##### JUDGE ADVOCATE GENERAL'S DEPARTMENT

Capt. Ernest Hill Burt, Infantry (detailed in Judge Advocate General's Department), with rank from July 20, 1918.

Capt. John Fulton Reynolds Scott, Cavalry (detailed in Judge Advocate General's Department), with rank from July 1, 1920.

Capt. Frank Eugene Shaw, Infantry (detailed in Judge Advocate General's Department), with rank from July 1, 1920.

Capt. Clarence Charles Fenn, Infantry (detailed in Judge Advocate General's Department), with rank from July 1, 1920.

##### PROMOTIONS IN THE REGULAR ARMY

##### To be captain

First Lieut. Mahlon Milton Read, Coast Artillery Corps, from April 27, 1928.

##### To be first lieutenants

Second Lieut. William Augustus Davis Thomas, Field Artillery, from April 27, 1928.

Second Lieut. Eugene Lynch Harrison, Cavalry, from April 27, 1928.

##### PROMOTIONS IN THE NAVY

Lieut. Benjamin F. Staud to be a lieutenant commander in the Navy from the 2d day of October, 1927.

Lieut. (Junior Grade) Carl H. Reynolds, jr., to be a lieutenant in the Navy from the 16th day of November, 1926.

The following-named acting chaplains to be chaplains in the Navy, with the rank of lieutenant, from the 2d day of June, 1927:

William H. Rafferty.

John E. Johnson.

The following-named acting chaplains to be chaplains in the Navy, with the rank of lieutenant, from the 1st day of July, 1927:

Joseph E. McNamany.

Charles A. Dittmar.

Homer G. Glunt.

Emerson G. Hangen.

Edward J. Robbins.

Boatswain George P. Childs to be a chief boatswain in the Navy, to rank with but after ensign, from the 5th day of August, 1926.

The following-named pay clerks to be chief pay clerks in the Navy, to rank with but after ensign, from the 3d day of December, 1927:

Andrew E. King.

Chester W. Utterback.

Rufus Hendon.

Wilburn Bates.

Fred Robinson.

##### CONFIRMATIONS

*Executive nominations confirmed by the Senate May 4 (legislative day of May 3), 1928*

##### PROMOTIONS IN THE NAVY

##### To be lieutenant commanders

Herbert B. Knowles.

Stanwix G. Mayfield, jr.

##### To be lieutenants

Clement R. Baume.

Henry T. Wray.

##### To be lieutenants (junior grade)

Louis D. Sharp, jr.

Charles M. E. Hoffman.

Edward P. Creehan.

##### To be surgeon

Frederick W. Muller.

##### To be chief pay clerks

Charles G. Crumbaker, jr.

Stanley B. McCune.

John K. Chisholm.

Henry L. Greenough.

Arthur L. Sullivan.

Chastine A. Murray.

##### IN THE MARINE CORPS

##### To be captains

Hal N. Potter.

Robert C. Kilmartin, jr.

Oliver T. Francis.

Edward A. Craig.

Edward A. Fellowes.

Lester A. Dessez.

##### To be first lieutenants

Shelton C. Zern.

Richard M. Cutts, jr.

John E. Curry.

Frank D. Weir.

##### POSTMASTERS

##### IOWA

Melvin V. Smith, Akron.

Claude M. Sullivan, Cherokee.

Orpha M. Bloomer, Havelock.

Wilbert W. Clover, Lohrville.

Celia T. Green, Mystic.

Loys E. Couch, Newell.

##### MARYLAND

Samantha E. Wilson, Mardela Springs.

##### PENNSYLVANIA

Wade M. Henderson, Brookville.

Laura M. Peacock, Houston.

##### WEST VIRGINIA

Robert S. Hornor, Bridgeport.

## HOUSE OF REPRESENTATIVES

FRIDAY, May 4, 1928

The House met at 12 o'clock noon.

Rev. John Compton Ball, pastor of the Metropolitan Baptist Church, Washington, D. C., offered the following prayer:

Almighty and everlasting God, when we consider the heavens, the work of Thy fingers, the moon and the stars, which Thou hast ordained, what are we that Thou art mindful of us and that Thou shouldst visit us? And then we read that Thou hast made us but a little lower than Thyself and hast crowned us with glory and honor—glory in that we bear Thy divine image, honor in that we think Thy thoughts after Thee. For this we thank Thee; and with such knowledge in our hearts and on our lips, we pray that Thou wouldst bless us with Thy wisdom, so that in all the deliberations of this day we may express the thought and interpret the will of the living God. May the words of our mouths and the meditations of our hearts be acceptable in Thy sight, O Lord, our strength and our Redeemer. For Jesus' sake. Amen.

The Journal of the proceedings of yesterday was read and approved.

## MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Craven, its principal clerk, announced that the Senate had passed without amendment bills of the House of the following titles:

H. R. 8229. An act for the appointment of an additional circuit judge for the sixth judicial circuit;

H. R. 10536. An act granting six months' pay to Anita W. Dyer; and

H. R. 12733. An act to authorize the refund of certain taxes on distilled spirits.

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House of Representatives was requested:

S. 3594. An act to extend the period of restriction in lands of certain members of the Five Civilized Tribes, and for other purposes; and

S. 1727. An act to amend the act entitled "An act to amend the act entitled 'An act for the retirement of employees in the classified civil service, and for other purposes,' approved May 22, 1920, and acts in amendment thereof," approved July 3, 1926, as amended.

## AMERICAN MERCHANT MARINE

Mr. RAMSEYER. Mr. Speaker, I call up House Resolution 175, a privileged resolution from the Committee on Rules.

The SPEAKER. The gentleman from Iowa calls up a resolution, which the Clerk will report.

The Clerk read as follows:

## House Resolution 175

*Resolved*, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of S. 744, entitled "An act to further develop an American merchant marine, to assure its permanence in the transportation of the foreign trade of the United States, and for other purposes." That after general debate, which shall be confined to the bill and which shall continue not to exceed four hours, the time to be equally divided and controlled by those favoring and those opposing the bill, the bill shall be read for amendment under the five-minute rule. It shall be in order to consider without the intervention of the point of order as provided in clause 7 of Rule XVI the substitute committee amendment recommended by the Committee on the Merchant Marine and Fisheries now in the bill, and such substitute for the purpose of amendment shall be considered under the five-minute rule as an original bill. At the conclusion of such consideration the committee shall rise and report the bill to the House with the committee substitute, as amended, and the previous question shall be considered as ordered on the bill and committee substitute thereto to final passage without intervening motion except one motion to recommit.

Mr. RAMSEYER. Mr. Speaker, this resolution makes in order the consideration of Senate bill 744, which passed that body and then was referred to the House Committee on the Merchant Marine and Fisheries. That committee, after considering the Senate bill, struck out all of the Senate bill after the enacting clause and substituted an entirely new bill. The Senate bill covers less than three pages while the House bill covers 22 pages. The bill as reported out by that committee is a comprehensive bill.

The rule is in the usual form. It provides for general debate not to exceed four hours, the debate to be on the bill, half the time to be controlled by those in favor of the bill

and half by those opposed to the bill. The Senate bill, 744, was reported by the Committee on the Merchant Marine and Fisheries without opposition, and this resolution comes from the Committee on Rules with a unanimous report.

The rule further provides that:

It shall be in order to consider without the intervention of the point of order as provided in clause 7 of Rule XVI the substitute committee amendment recommended by the Committee on the Merchant Marine and Fisheries now in the bill, and such substitute for the purpose of amendment shall be considered under the five-minute rule as an original bill.

But for that rule you could only consider the House provisions as one amendment to the Senate bill. The rule makes it in order to take up the committee substitute to be read section by section under the five-minute rule, with the right to offer amendments to each section as it is reached for consideration.

Then there is another thing. Some of the House provisions may not be germane to the Senate provisions, and that is the reason why for the provision of the rule relative to clause 7 of Rule XVI, which reads:

And no motion or proposition on a subject different from that under consideration shall be admitted under color of amendment.

So that if there should be any provision in the House bill not germane to the provisions of the Senate bill a point of order against such provision on the ground of germaneness would not lie.

Mr. Speaker, I yield to the gentleman from North Carolina [Mr. POU] such time as he desires to use.

Mr. POU. Mr. Speaker, this was a unanimous report from the Committee on Rules. There is no controversy with respect to the rule. The ranking minority member of the Committee on the Merchant Marine and Fisheries came before the Committee on Rules and joined in the request for this rule.

Mr. RAMSEYER. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

Mr. WHITE of Maine. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of Senate bill 744 to further develop an American merchant marine, to assure its permanence in the transportation of the foreign trade of the United States, and for other purposes. Pending that motion, I would like to inquire about the control of the time. The rule provides that the time shall be controlled by those in favor and by those opposed to the bill. So far as my knowledge goes there is no Member who is opposed to the bill. There is no member of the committee opposed to the bill, and I know of no Member of the House who desires to control the time in opposition. I therefore ask unanimous consent that the time may be equally controlled by myself and the gentleman from Tennessee [Mr. DAVIS], the ranking minority member of the committee, with the understanding we will yield equally to those who may be opposed to the bill.

The SPEAKER. The gentleman from Maine moves that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill S. 744 and pending that motion asks unanimous consent that the time may be equally divided between himself and the gentleman from Tennessee. Is there objection?

There was no objection.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill S. 744, with Mr. CRAMTON in the chair.

The Clerk read the title of the bill.

Mr. WHITE of Maine. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. Is there objection to the request of the gentleman from Maine?

There was no objection.

Mr. WHITE of Maine. Mr. Chairman and members of the committee, I will undertake in the first instance to briefly describe the situation in which we find ourselves with respect to our merchant marine, and to make reference to some of the tendencies which ought to engage our serious consideration. I will then, time permitting, go through the bill somewhat in detail, explaining to the Members of the House the particular provisions of the bill and indicating what we of the committee hope to result from its passage.

A merchant marine of adequate size and of proper types of vessels assures to the country possessing the same commercial independence and national security. America must have both.



So long as the productive capacity of our farms and factories, our forests and mines, exceeds the needs of our people, this Nation's well-being is dependent upon sea transportation, for an unsold exportable surplus leads inevitably to curtailment in business activity, to agricultural depression, to unemployment, and to all the misfortunes incident to such conditions. We produce one-half more cotton than we use, one-third more wheat and pork, and 15 per cent more of manufactured products. These excesses and others over our domestic needs must be sold and delivered abroad, and it is ships alone which can make this necessary delivery.

The value of our exports for the calendar year 1926 totaled \$4,809,000,000. These goods sold abroad assured American industry a substantial degree of prosperity. Unsold, they would have brought deflation, stagnation, idleness, privation.

During the calendar year 1926, 33 countries participated in the carriage of our foreign trade. There were 58,500 entrances and clearances of vessels carrying more than 112,800,000 cargo tons, upon which the freight bill approximated \$728,000,000.

Of this total volume of trade, vessels of American registry carried about 34 per cent and this 34 per cent in volume was almost exactly 34 per cent in value. We paid, therefore, to foreign vessels not far from \$500,000,000 for the carriage of goods sold or bought by us. This was tribute paid to foreign interests for a service which American ships in large measure should have rendered.

Of equal importance with the present facts as to our participation in this ocean trade are the tendencies with respect to such trade. The decline in the percentage of goods carried in American ships has been marked and is of sinister significance. In 1921 American vessels carried 51 per cent of our exports and imports. In 1923 this proportion had dropped to 44 per cent, in 1925 to 40 per cent, and in 1926 to 34 per cent, and the percentage for the last year is even less. While these losses were taking place in the tonnage carried by American ships, the aggregate tonnage carried by foreign ships correspondingly increased, moving from 49 per cent in 1921 to 66 per cent in 1926. Of 59 principal ports of the United States through which moved inbound and outbound foreign cargo tonnage, the percentage carried in foreign vessels increased in 47 of the 59 ports between 1921 and 1926. This distribution of foreign shipping activity indicates the extent of the competition to which American vessels are subjected and the increase in the tonnage carried on foreign ships demonstrates the effectiveness of this competition.

The tragedy of American shipping is further emphasized by the facts with respect to shipbuilding. It is a lamentable truth that there has been a continuous decline in this industry in the United States since 1921. Of vessels of seagoing size built in the world between January 1, 1922, and August 15, 1927, amounting to 7,900,847 tons, only 309,264 tons were built in the United States. Of 1,034 vessels constituting this tonnage only 41 were built in the United States, and of 307 motor ships included in this total only 2 were built in the United States. Great Britain built 14 times as many as the United States. Since 1921 not a single ship has been built in the United States for the overseas trade, but of 4,085 foreign ships more than 20 per cent have been built within the last six years.

At the end of 1927, 3 1/4 per cent of the tonnage under construction in the world was building in our country, the lowest at any time in more than 35 years, but at the end of March, 1928, our percentage had shrunk to 2 per cent, about 58 per cent lower than at end of 1927. The United States as of this latter date ranked tenth among the nations of the world in shipbuilding. These shipbuilding figures tell their story as to the character of the present fleet of vessels under the American flag, of the condition of our yards, and they have another important bearing. With the disappearance of our yards and the absence of work we lose the physical capacity to build ships, and of equal importance, the technical staff essential for this highly specialized industry. Years of training and of experience is necessary to design the hull of a first-class passenger or naval vessel, but designing of machinery involves even greater complications. Because of a want of shipbuilding work in this country, our technical men are disappearing. The technical employees in our yards to-day are but one-quarter the number of 1916.

The first modern battleship built in the United States was the *Texas*. She was built at Norfolk Navy Yard, but her designs were purchased from an Englishman because the United States had not at that time the experience to build such a ship. Ten more years like the last will bring us to a like condition, subject us to the same humiliation and danger.

This want of shipbuilding within the United States has permitted foreign nations to outstrip us in the construction of new and modern vessels. Constant replacements are necessary if a fleet is to be maintained to the highest point of efficiency, and vessels built must be of the modern type. Speed in later years

has become increasingly important. An analysis of the figures shows that of the seagoing vessels of the principal maritime nations Great Britain has 886 built within five years, Germany has 180 built within this time, and the United States but 84. Japan, Italy, and France have slightly less in numbers than the United States but the tonnage of the new vessels of France and of Italy exceed substantially the tonnage of the 84 United States vessels built during these years. Of recent construction Great Britain has ten times the number of ships of the United States, and Germany has twice as many modern ships as fly our flag. Considered with reference to speed, Great Britain has 1,039 seagoing vessels with a speed in excess of 12 knots. The United States has but 180 such vessels. Of 16 knots speed and above, Great Britain has 158; we have 51.

The figures heretofore given painfully illustrate the part taken by American ships in American trade and the facts with respect to modern-built ships of the higher speeds clearly indicate that we shall lose further ground and become independent in still greater degree upon foreign ships unless we take prompt and vigorous action in behalf of our marine.

In studying the problem and in endeavoring to find a solution, we are confronted with the problem of cost and operating differentials against the American ship, and with the fact, which adds to our difficulties, that American vessels engaged in our foreign trade are in part governmentally owned and operated and in part are under private ownership and operation. Both of these conditions must be considered and must be dealt with.

As of January 1, 1928, there were 541 passenger and general cargo vessels in our foreign trade, of which number 300 were owned by the Government. There is complete agreement that until the services maintained by these ships may be taken over and maintained by private enterprise we should continue Government vessels therein. The continuance of the Government in these enterprises, however, involves more than is usually recognized. The vessels of the Shipping Board have lived half their efficient life and continued governmental operation requires the immediate beginnings of a replacement program of vast proportions. The replacement of the vessels in operation by the Government at the date of its last annual report with new cargo vessels of 14 knots speed calls for a capital expenditure of \$525,000,000. This means if the replacement is completed by 1940, with the last appropriation made available in 1938, an average annual expenditure of \$52,500,000, and to this expenditure there must be added if we are to clearly appraise the cost of such an undertaking to the people, the operating losses by the Government during the intervening years. Figuring these losses at \$15,000,000 a year, there would be added the further sum of \$150,000,000, making a total expenditure on account of governmental operations during the years to 1940 of \$675,000,000.

There is talk of maintaining ourselves upon the sea and building our fleet to the size and efficiency demanded by the American people through governmental operation. This bill proceeds upon the theory that there are certain essential services which can not be profitably operated by private companies under present conditions, which in the public interest should be maintained at Government expense, but in my view it is idle to think of the maintenance by the Government of anything more than this minimum of service. The figures demonstrate that at the present time, after years of experience, our Shipping Board vessels are averaging only 121 days a year at sea per ship, that we are losing practically \$1.48 per ship-mile and \$1.84 per ton carried, that our vessels in some Atlantic and Gulf port trades are averaging to carry less than 45 per cent of their capacity, and in all trades 56 per cent capacity, and that the entire Government fleet for the year 1926 carried but 8 per cent of our total cargo. There is in these figures no justification for the hope that Government operation holds a promise of success. The legislation which we are presenting nevertheless retains in full vigor all of the provisions of law conferring the right and the duty upon the Shipping Board to maintain existing essential services. It supplements authority to continue governmental operations with aids to privately owned vessels, which we hope and believe will result in substantial expansion of our private fleets.

Our privately owned fleet in the foreign trade as of January 1 last comprised 237 vessels of all types engaged in carrying our goods to most of the principal ports of the world. This privately owned fleet carried in the year 1926 approximately 26 per cent of our commerce, as against 8 per cent carried by the Shipping Board. This fleet falls generally into two classes; first, the combination cargo and passenger vessel, and second, the general-cargo ship. They face the handicap of substantial differentials. The reasons for the inability of the privately owned American ship—except those bought from the Government at nominal prices and some others in noncompetitive trades—to successfully compete are chargeable to such dif-

ferentials. In a Shipping Board report, which speaks as of January, 1927, the board found construction costs to average 33½ per cent against us.

The American Ship Builders' Association tells us that upon the assumption that both have a normal volume of work that it costs to build a 10,000 dead-weight ton cargo steamer 59 per cent more than in Great Britain, 60 per cent more to build a 9,850 dead-weight ton tank steamer, and 54 per cent more to build a combination cargo and passenger steamer.

Annual fixed charges are usually interest, 6 per cent; depreciation, 5 per cent; repairs, 2 per cent; insurance, 5 per cent; a total of 18 per cent. Private shipbuilders say 27 per cent.

This means that the American owner of an American-built ship is handicapped at least 18 per cent annually on this capital differential.

The principal reason for this cost differential is labor cost. Wages in American yards nearly double those in Great Britain and three to four times those in Germany. In the building of a ship 39 per cent is labor in the shipyard; 5.6 per cent taxes, insurance, and depreciation; 4.6 per cent freight; and 50.8 per cent materials. Breaking down these items it will appear that 78 per cent—\$11,700,000—of the entire cost of a \$15,000,000 ship goes to American labor; that is, 7,800 workmen one year at \$5 a day, or 2,600 workmen for three years. This capital cost is the great factor in the differential cost.

Of lesser consequence but still of importance is the wage and subsistence differential. The Shipping Board tells us that averaging the difference between United States vessels and those of eight principal maritime competitors it appears:

1. Pay roll ratio of the average of these countries is to United States wage costs as 51 is to 100.
2. Subsistence costs of the average of these countries is to United States costs as 62 is to 100.

From a number of typical British ships it appears, according to the board's experts, that it takes about 7.25 per cent of the total American cost to meet and equalize the annual differential against the American ship arising from the lower construction and operating costs of a British vessel.

In my belief these figures of the board are too low.

Notwithstanding handicaps it is said of this first class of privately owned vessels—combination cargo and passenger—that they are generally making their expenses, but they fall far short of earning sufficient to provide for replacement. They, therefore, face, as the matter now stands, a keener and more effective competition by newer and faster foreign ships.

I would not minimize the service rendered to American shippers during late years by this Government fleet. It is proper, however, to have clearly in mind that notwithstanding our huge initial expenditure and our operating losses in the maintenance of this fleet the percentage of our commerce carried in Government-owned ships has been growing constantly less and in a greater degree than the loss suffered by privately owned American ships. In 1921 our Government-owned fleet carried 15 per cent of our commerce, but for the year 1926 this percentage had dropped to 8 per cent. Stated in another way, our operating losses exceeded \$16,000,000 in the carriage of 8 per cent of our commerce. In the same period the percentage carried by the private vessels under our flag dropped from 36 per cent to 26 per cent. We must always have in mind that our private ships are carrying in our foreign trade over three times the cargo tons carried by our Government vessels. They are entitled to protection against governmental competition. They merit our thought and aid quite as fully as does the smaller governmental activity. We must not permit our concern for these Government vessels to close our eyes to the relative importance of the two classes of vessels and services. It would be better to lose the 8 per cent than the 26 per cent if a choice had to be made.

The general cargo ship may in turn be divided into two classes. There are, in the first place, those lines operating tonnage bought of the Shipping Board at low prices and on easy terms. Fixed charges for interest, insurance, and depreciation on such vessels are below like charges on foreign ships with which they compete and offset their own higher operating costs. The American operator who has ships of this kind is able to compete successfully with a foreign line, but, like the passenger vessel, these ships show no profits from which replacements may be anticipated. The second class of cargo vessels are those belonging to long-established lines operating in large part pre-war tonnage or tonnage acquired immediately after the war, in either case of high cost. Such ships, however, are in selected and more profitable trades. This and the long experience of the operators therein constitute a favorable factor, but because of the high fixed charges these vessels are not operating at a profit from which replacements may be made. It may be said, therefore, that although the privately owned

American fleet is struggling along, it is in no position to replace its old vessels with new ships, modern in type and of the higher speeds, and is in no position to expand its activities.

It has been pointed out that 20 per cent of the vessels of foreign flags in our trade have been built within the last five years, while not a single American ship for our overseas foreign trade has been built within that period. It seems certain that unless newer and faster and more modern ships find their way into American trade under the American flag and unless the differentials heretofore mentioned are overcome by superiority of service, by efficiencies in operation or otherwise, we must expect a continued shrinkage in the percentage of our commerce carried by our ships and a constantly greater dependence upon foreign nations.

There is a volume of trade ample to support an adequate American merchant marine, but that business will not seek the American ship if a better and faster service is furnished by another flag. Our problem is to aid in the construction of the best type of ships and by proper governmental encouragement to make certain permanence of operation by such ships. This bill which is before you is an effort to aid in bringing about the end we all desire. Your committee members would be the last to claim for it that it will accomplish all we desire. Our merchant marine is not to be rebuilt and restored to its old-time place in a day. We face a long struggle. Your committee believe, however, that this bill is the first step in the legislative program which must be ultimately adopted.

The alternatives presented to us are clear. We must embark upon an extensive and costly program of shipbuilding and ship operation by the Government; we must legislate in behalf of the private ship, as this bill does, or we must accept as certain the disappearance of our flag from the sea and acknowledge our dependence upon other nations.

We who support this measure believe its enactment insures the maintenance by the Government of those routes deemed essential to American commerce, routes not now attractive to private operators; we have faith that if administered in accordance with our purpose and to the extent authorized, shipbuilding within the United States will be stimulated, that new and modern American ships will take their place upon the seas, that interest among our people in our ships will be revived, that a new loyalty will be aroused in American shippers and American business, and that we shall have done much toward the restoration of American supremacy upon the seas, to bringing again the day when our flag will be seen in every port, when our lost heritage shall be restored, and we shall have resumed that position and that independence on the waters of the earth which in the years of long ago we established at the risk of our existence as a Nation.

The pending bill offers no untried experiments. Every principle in it has at times been resorted to in this country or by the great maritime powers of the world.

Mr. RAMSEYER. Will the gentleman yield?

Mr. WHITE of Maine. Yes.

Mr. RAMSEYER. How many more Government ships did we have in 1921 than at the last date given by the gentleman?

Mr. WHITE of Maine. I am not able at the moment to give the exact number, but substantially more.

Mr. RAMSEYER. Many of the ships that were operated by the Government in 1921 have been sold, have they not?

Mr. WHITE of Maine. Many of them have; yes.

Mr. DAVIS. Will the gentleman yield?

Mr. WHITE of Maine. Yes.

Mr. DAVIS. Right in that connection, I think we have about one-third of what we had at the peak number.

Mr. MORTON D. HULL. Do I understand that the commerce has not diminished but is going in foreign vessels?

Mr. WHITE of Maine. The percentage of our cargoes carried by foreign vessels has increased between 1921 and 1926 from something like 49 per cent to over 66 per cent.

Mr. MORTON D. HULL. There is an explanation for that, which the gentleman will give, is there not?

Mr. WHITE of Maine. I believe so.

Mr. MORTON D. HULL. Does that explanation appear in the gentleman's statement?

Mr. WHITE of Maine. I think there are many reasons, but perhaps the overshadowing reason is in the superior speeds and the modernizing of the ships of foreign nations which have been entering into our trade.

Mr. MORTON D. HULL. In other words, the explanation is they give a better service, is it not?

Mr. WHITE of Maine. Well, that is a matter of argument; but I express the belief that the great consideration is in the fact that the fleet of other nations has been modernized and ours has not.



Mr. COLE of Iowa. Will the gentleman yield for just one question?

Mr. WHITE of Maine. Yes.

Mr. COLE of Iowa. Is it not true that the foreign vessels are operated more cheaply than our vessels?

Mr. WHITE of Maine. I think that enters into it also.

Mr. CRISP. Will the gentleman yield?

Mr. WHITE of Maine. I yield.

Mr. CRISP. I have listened with profit and interest to my friend's statement. Will he be kind enough to give briefly to the House the provisions in the bill by which he hopes to remedy the evils that now exist?

Mr. WHITE of Maine. I will go through the bill—

Mr. MERRITT. Before the gentleman does that, I notice with concern that there have been no new vessels added to the merchant marine in the last five years.

Mr. WHITE of Maine. No new overseas vessels.

Mr. MERRITT. What effect has that condition had upon the shipyards?

Mr. WHITE of Maine. It has resulted in almost the disappearance of the American shipyards of other days. We had in the United States in 1916, 22 shipyards equipped to build vessels of the seagoing type. We have now only 8 of such shipyards in the United States. There have disappeared in the intervening years some shipyards that have been in activity generation after generation. In my own State the Bath Iron Works, and the Cramp yards in Philadelphia, that have been building American ships for almost a hundred years are closed and others have disappeared within the last few years.

So to-day we have in the United States just 8 shipyards capable of building seagoing vessels. Great Britain is keeping busy 57 shipyards.

Mr. MERRITT. Then we have a vicious circle—we can not build ships because the cost is so high and the yards are disappearing, so the costs are getting higher.

Mr. WHITE of Maine. That is true; we are in a vicious circle with the disappearing of the shipyards and the disappearance of the resources for building ships; and that is a problem that must be considered in the light of these conditions.

We have confronting us the problem not only of the ship itself, but the shipyards which are back of the ships. I will take occasion to say that this legislation looks not only to the ships but the shipyards, and all the way through we have stressed in this legislation the necessity for the new modern types, not only that it may successfully carry goods but that the shipyards may be again brought to life.

Mr. SPEAKS. Will the gentleman yield? Will the gentleman state the number of shipyards in the United States in 1915?

Mr. WHITE of Maine. I can not give the gentleman the number in 1915, but in 1916 there were 22 shipyards capable of building seagoing vessels. At the present time there are only 8.

Mr. SOMERS of New York. How many are constructing ships?

Mr. WHITE of Maine. At the time of the hearings there were building in the entire United States, I think, only two vessels of the seagoing type.

Now, if I may, let me go through the bill. We have reported out the Senate bill in an amended form. The Senate bill in a large measure, it seems to me, was a restatement of existing provisions of law. There were in it, however, two or three substantive matters. One dealt with the authority of the Shipping Board to sell governmental vessels.

Under the existing law vessels may be sold for operation under our flag by a majority vote of the board. Vessels may not be sold for foreign registry except by a vote of 5 to 2. The Senate provision was to the effect that no vessel of the Government should be sold except by unanimous vote of the Shipping Board. Your committee was unwilling to accept that provision, because that would give to a single individual the right of veto. It would give to a single individual in one of the independent boards of the Government in effect the right to determine a great governmental policy, because by withholding his approval he might prevent for all time the sale of a single Government vessel. By that action he in effect would require permanent Government operation of our vessels.

Mr. LINTHICUM. Mr. Chairman, will the gentleman yield? Mr. WHITE of Maine. In the House bill we have provided that these vessels may be sold on an affirmative vote of five members of the board. We passed beyond the requirement of a mere majority, and say that no Government vessel may be sold except upon the affirmative vote of five members of the board. That is the first and substantial change made by the House committee in the Senate bill. I yield to the gentleman from Maryland.

Mr. LINTHICUM. How many votes did it take to sell the ships on the Pacific coast that we parted with within the last six months?

Mr. WHITE of Maine. As I stated, a majority vote of the board is required under the present law.

Mr. TILSON. Why did a majority of the committee think they should depart from the almost universal rule that a majority of a commission or of a board or of a court should govern? Why should this exception be made? What is the reason for requiring more than a majority of the board to sell a vessel?

Mr. WHITE of Maine. I am compelled to say that there was a wide difference of view upon that point, and the result, as it appears in the bill, is a compromise effected by the members of the committee.

Mr. MORTON D. HULL. How many members are there on the board?

Mr. WHITE of Maine. Seven. Section 5 of the Senate bill provides that all the offices or employment or positions under the United States Shipping Board and the Fleet Corporation should generally be under civil service. The House committee has stricken that provision from the bill. The existing law provides for those positions in the Government that shall fall within the classified civil service. Your committee felt strongly that it was not our province to redraft or modify the general civil service laws of the United States. We felt, further than that, that it was unwise in the extreme to undertake to place under the civil service those positions requiring ship knowledge and knowledge of ship operations. It is a type of experience, a type of knowledge, which does not lend itself readily to ascertainment by civil-service examinations. So we have stricken from the bill that provision.

I may say, speaking in very general terms, that all of the other provisions of the Senate bill are redrafted and reembodyed in the House amendment in their substance. The House amendment deals with possibly four or five matters of consequence. First of all, Title III of the House bill redrafts, expands, liberalizes the present provisions of the construction loan law, so called. Under the construction loan act as it is now framed there is an authorized amount constituting that fund of \$125,000,000.

The Shipping Board is authorized to make loans from that fund to private shipowners for the construction and reconditioning of vessels. The present law specifically places limitations upon the authority of the board with respect to those loans. It limits the authorized loans to one-half the cost of the vessels, but in exceptional circumstances, where additional security to the mortgage is taken, it permits a loan of two-thirds of the cost of the vessel. Your committee has expanded that provision and permits loans under the section which we report to you up to three-quarters of the cost of the vessel. The existing law fixes a limitation of 4½ per cent upon the rate of interest which these loans shall bear when the money goes for the construction of a ship in foreign trade. Your committee has recommended the lowering of that rate of interest in the case of vessels engaged in foreign trade. The present law limits the life of a loan to 15 years. Your committee has recommended that the life of the loan may be extended to 20 years. Bear in mind, these provisions to which I have alluded are in the main the maximum placed upon the authority of the commission to loan. The commission may loan smaller amounts and at shorter terms and under more drastic conditions than are set forth in this bill. Your committee feels this is one of the most important provisions of the bill. It is not new. We have had a construction loan fund in our law since 1920. This principle has been resorted to by most of the maritime nations of the world. Great Britain, to whom we may look for light in shipping matters, has utilized this fund in the building of her fastest liners, and she has established a substantial amount, I think a fund of \$126,000,000, to be used to aid in the construction of ships in her yards. Your committee has authorized an increase in the amount of this loan fund from \$125,000,000 to \$250,000,000. We feel that if we are to embark upon an extensive program of ship construction, if we are to have within the near-by years a fleet of vessels of types and of size competent to wage effective competition with foreign vessels, we must utilize this fund to a large extent. So this provision, as I have roughly sketched it, comes before the membership of the House with the unanimous approval of the Merchant Marine Committee.

Mr. CRISP. Mr. Chairman, will the gentleman yield?

Mr. WHITE of Maine. Yes.

Mr. CRISP. Is that to be a revolving fund?

Mr. WHITE of Maine. It is to be a revolving fund, but at no time are the amounts in it to exceed \$250,000,000, the limit that we have placed upon it.

Mr. CRISP. And where a loan of 75 per cent is made in the construction of new vessels the board will have a lien on the vessel for the repayment of the same?

Mr. WHITE of Maine. The board will not only have a preferred mortgage but such other and additional security as the board may insist upon. We think we have given to the board the fullest authority necessary to safeguard the interests of the United States and to insure the repayment in full of every dollar of the loan with interest thereon.

Mr. LINTHICUM. On page 6 it is provided that they may set aside receipts until it amounts to \$125,000,000.

Mr. WHITE of Maine. On what page?

Mr. LINTHICUM. On page 6. And then on page 9, section 302, provision is made for an increase of the construction loan fund to \$250,000,000. Is part of that for the Shipping Board now and is the other part for the new loan fund?

Mr. WHITE of Maine. The present law authorizes the setting up of this fund of \$125,000,000, specifying the sources from which the fund shall come. It comes from sales and the liquidation of the securities which the board has at any time. The limit we have provided in this bill is that in addition to the amount now authorized, there may be appropriated such amounts from time to time as shall lift the amounts available to \$250,000,000.

Mr. LINTHICUM. Then the \$250,000,000 would include the \$125,000,000?

Mr. WHITE of Maine. Yes. The \$250,000,000 would include the \$125,000,000.

Mr. SOMERS of New York. Mr. Chairman, will the gentleman yield?

Mr. WHITE of Maine. Yes.

Mr. SOMERS of New York. Speaking of this loan, in your report you refer to vessels in the foreign trade, where the rate is fixed "at the lowest rate of yield of any government obligation outstanding at the time the loan is made." Could the gentleman tell us what that would be to-day?

Mr. WHITE of Maine. There are many Government securities, and I can not give you the exact figures to-day of what that would be. Some of the earlier loans bear as low a rate of interest as 2 per cent. I may say that I have called a meeting of the committee to-morrow morning to still further consider that language. It appears there is some doubt in the minds of Members as to whether we should authorize as low a rate of interest as that particular section now permits. Before that matter is disposed of in the House I want to bring to you the more considered judgment of the Committee on the Merchant Marine and Fisheries on that point.

Now, passing from the construction loan fund to other provisions of importance, I direct your attention to the matter of postal contracts. There is nothing new in the principle of that proposed provision. This Government of ours for many years past has authorized the entering into contracts with merchant vessels and vessel owners for the carriage of our mail. There is the old provision in section 4007 of the Revised Statutes, which has been on the books for more years than I can recall—the ocean mail act of 1891—the provisions of the merchant marine act of 1920, and the act passed in 1918 authorizing mail contracts between the United States and Great Britain. All through the years the Government of the United States has recognized the propriety of entering into contracts of this type. Your committee feel that such contracts in substance and in fact are payments for a definite service rendered to the Government of the United States, for which it is proper that we should make payments. Not only has our own Government approved this policy, but every other maritime nation on earth has likewise utilized this means.

The difficulty with the United States has been that we never have constantly and persistently and aggressively pursued the policy, so that these provisions on the statute books have heretofore been of relatively little importance. I do not mean to say they have not been of some value, because I think I know of vessels in operation which would not be in operation if it were not for the payment they are receiving for the carriage of the United States mail. But we believe that there is a legitimate opportunity to expand this feature of our law and make it useful not only to all of our people in the speedy transportation of our mails but also to aid our merchant marine.

Now under the terms of this section the Postmaster General is given the authority to determine what mail routes shall be established. He is to notify the Shipping Board as to the postal requirements of our ocean service. It then becomes the obligation of the Shipping Board to pass upon what I would call the navigational side or aspect, to determine what type and character and size and speed of ships will respond most efficiently to the postal needs as laid down by the Postmaster General.

The Shipping Board makes its recommendation under the terms of the bill to the Postmaster General as to these shipping matters, and the Postmaster General is then authorized to make contracts with our vessels. We have classified the vessels in this title according to tonnage and speed. That follows the language of the established precedents; and we have provided the maximum rates of pay to the various classes, the rates of pay being generally based upon the size and speed of the vessel performing the service.

Your committee is unanimous in its recommendation that this title be approved by the House.

Mr. O'CONNOR of New York. Mr. Chairman, will the gentleman yield?

Mr. WHITE of Maine. Yes.

Mr. O'CONNOR of New York. The gentleman will recall that when the bill was pending before the Committee on Rules I asked the question: "Why do you not put some compulsion on the Post Office Department, other things being equal, to prefer American ships?" You leave it wide open to an individual as to what he is going to do about it.

Mr. WHITE of Maine. It is a question how far you can be asked to lay down a direction without taking from the executive officer that discretion which an executive officer of the Government ought to have. There may be certain services where it will not be advisable to enter into these long-term contracts. It may be better to proceed under some other provision of law and provide for the carriage of mail upon a poundage basis or some other contractual arrangement. And that leads me to emphasize this, that this provision of the bill is not an exclusive authority for entering into mail contracts.

Mr. ABERNETHY. Mr. Chairman, will the gentleman yield?

Mr. WHITE of Maine. Yes.

Mr. ABERNETHY. I understand that the Postmaster General stated that this provision would result in profit to the Government?

Mr. WHITE of Maine. That was the view presented to our committee by the Post Office Department.

Mr. SOMERS of New York. Mr. Chairman, will the gentleman yield?

Mr. WHITE of Maine. Yes.

Mr. SOMERS of New York. What percentage do you pay out now?

Mr. WHITE of Maine. Under the provisions of existing law there is paid for the carriage of mail on American ships in the overseas trade something like \$7,000,000.

The receipts from our Postal Services, from that same character of service, amount to about twelve and a half million dollars. I think I am stating that right. This represents a very substantial margin between the amounts paid to American ships and the receipts from our ocean mail service.

It is estimated that if we apply the maximum rates—this is important and I want you to get the significance of it—that if we apply the maximum rates of this bill to all the vessels now carrying United States mail, all American vessels, we will increase the compensation paid to approximately \$14,000,000. In other words, this provision of this bill will entail an additional expenditure upon the Federal Treasury of approximately \$7,000,000 annually, but I think it important in the extreme that we should consider in that connection the opinion of the Postmaster General that from the improvement in the services and from the higher-speed vessels there will result a very much larger volume of mail moving under our flag, and, therefore, a very much increased revenue to our Post Office Department from the operation of our-flag ships, and I give it as my opinion that it will be many years before this provision of our bill will pass beyond the self-sustaining standpoint, if it ever does that.

Mr. SOMERS of New York. One more question. Does the gentleman know how much foreign mail United States vessels carry?

Mr. WHITE of Maine. Roughly speaking, foreign-flag ships carry 30 per cent of our foreign mail at this time. I am giving that as an offhand recollection but I think I am approximately right. It may be slightly under that, but somewhere, I should think, about 30 per cent.

Now, I want to hurry on.

Mr. KNUTSON. Will the gentleman yield?

Mr. WHITE of Maine. Yes.

Mr. KNUTSON. I noticed in looking over the bill the other day that it exempts the steward's department from the compulsory provision for the employment of American citizens. Has the committee given consideration to the fact that the most prolific source of smuggling is in the steward's department?



Mr. WHITE of Maine. We have given consideration to this question of nationality of crews upon American ships. The situation is this: There is no general provision of law at the present time requiring that any member of a crew on an American ship should be an American citizen except that provision applying to licensed officers. Licensed officers must be American citizens, but there is no other general provision of law requiring a crew to be made up of American citizens. That I may not be misunderstood, I want to supplement that statement. Under the 1891 ocean mail act there was a provision that one-half of the crew—which would include the steward's department—should be American citizens; that is, upon vessels which held contracts under the 1891 act. But as a practical matter there are no such vessels operating under the 1891 act by contract, or, if any, a negligible number. The practical result is that to-day there is no general requirement that there shall be American citizens upon our ships other than the provision with respect to officers. There is the provision of the seamen's law which requires, I think, that three-fourths of a crew shall be able to understand the language of the officers, but that has no relation to citizenship. So I feel, and many members of our committee feel, that in this provision here we are working toward a larger percentage of American citizenship on American-flag vessels.

Mr. MORTON D. HULL. Will the gentleman yield?

Mr. WHITE of Maine. Yes.

Mr. MORTON D. HULL. Before the gentleman gets away from the loan fund I would like him to tell me whether I understood him correctly in stating that the total of the loan fund will be \$250,000,000?

Mr. WHITE of Maine. That is right.

Mr. MORTON D. HULL. Then what is the significance of this parenthetical provision, "exclusive of such repayments"?

Mr. WHITE of Maine. Those repayments go into the fund in order that it may be a revolving fund; in other words, if they loan out \$100,000,000 in a year, those repayments, when made, go back into the fund in order to keep it at its maximum figure.

Mr. MORTON D. HULL. Can they not enlarge it?

Mr. WHITE of Maine. No.

Mr. LINTHICUM. Will the gentleman yield?

Mr. WHITE of Maine. Yes.

Mr. LINTHICUM. The gentleman said a moment ago that 30 per cent of our mail was carried in foreign ships?

Mr. WHITE of Maine. But I did not vouch for the accuracy of the statement.

Mr. LINTHICUM. Well, approximately. What I want to know is, what part of the foreign mail we carry in our ships?

Mr. WHITE of Maine. Well, I can not give it to you in percentages. If you see any instance where a foreign government is letting an American-flag ship carry mail, except under the force of necessities, you will see something I have never been able to see.

Mr. LINTHICUM. Will the gentleman be good enough to put the exact percentages in the RECORD?

Mr. WHITE of Maine. I will try to do so.

Mr. CHINDBLOM. May I ask what that figure was of the percentage of American mail carried in American ships?

Mr. WHITE of Maine. Subject to correction, I will say that between 65 and 70 per cent of our mail is carried in American ships and 30 per cent or thereabouts carried in foreign ships. Can any member of the committee correct me on that?

Mr. DAVIS. It has been reduced in the last two or three years. I do not think that now the amount carried in foreign ships is over 20 or 25 per cent. It has been very much higher, but it has been greatly reduced in the last two or three years.

Mr. WHITE of Maine. I will put in the RECORD the exact proportions.

I think I have alluded to the principal matters in this bill. I want to emphasize in closing that we are not taking from the Shipping Board any of the rights it now has to maintain ships in trades deemed by it to be essential. On the contrary, we reserve in full vigor and force and vitality every provision of law authorizing the Shipping Board to maintain these essential services. We have, however, carried in this bill various provisions which we hope and believe will stimulate American shipbuilding and put upon the seas newer and more efficient American-flag ships.

Mr. SOMERS of New York. Before the gentleman closes his very instructive and enlightening discussion, will he be good enough to touch on the insurance features of this bill?

Mr. WHITE of Maine. The question of insurance was one that gave our committee great concern. There was a feeling, and there were charges made, that the marine insurance companies of the United States are discriminating against the American ship, both with respect to the classification of the ship

and with respect to the insurance rates fixed for that ship and for the cargo thereon.

In the bill as it was originally introduced there was a provision authorizing the Shipping Board to reinsure risks placed upon American vessels. Your committee found the subject was full of controversy, full of difficulties so important that we believed it entitled to longer and more searching investigation than we were able to give it at this session.

Existing law carries a provision, section 10 of the merchant marine act of 1920, authorizing the Shipping Board to set up an insurance fund for the insurance of the interest of the United States in any vessel or in any plant. Your committee took that provision of existing law and expanded it somewhat.

Under the present law this fund is to come from net revenues. We struck out the word "net," authorized the fund to be set up from revenues, and also provided that the fund might be increased or built up from insurance premiums.

Then we provided that the United States might insure any legal or any equitable interest which it might have in a vessel and we declared expressly that the United States should be deemed to have such an interest in any vessel toward the construction of which it had made a loan, in any vessel upon which it had a mortgage or lien of any character, and in any vessel obligated by contract with the United States to perform service to the United States, to the extent of the Government's interest therein.

We believe this provision in its present form is not offensive to insurance companies of the United States, but we think it does give opportunity for the Shipping Board to secure the interest of the United States in any of these vessels toward the construction of which, as I have said, we have lent money, upon which we may hold mortgages or in which we have a contract interest.

The CHAIRMAN (Mr. BEEDY). The gentleman from Maine has consumed one hour.

Mr. WHITE of Maine. At this point I yield the floor, Mr. Chairman.

Mr. DAVIS. Mr. Chairman, I yield 15 minutes to the gentleman from Virginia [Mr. BLAND].

Mr. BLAND. Mr. Chairman and gentlemen of the committee, when the gentleman from Maine [Mr. WHITE] concluded his very able presentation of this bill I was reminded of the statement made by Will Rogers at the Jackson Day dinner after Claude Bowers had made the opening speech. He advised the other speakers that they might as well go home; that everything had been said that could be said on the subject.

I wish to add that this bill and this subject of a merchant marine have been considered by the committee with the sole thought of building up an American merchant marine and of advancing the interests of the United States. Never at any time has any partisan political element entered; never at any time in the consideration of this bill has any member of the committee, either of the subcommittee or of the committee as a whole, approached the question in any other way than with a desire to promote the common interests of the country. It has been peculiarly gratifying to serve with men who have tried to work out this great problem in this honest and conscientious way—and it is a great problem.

I feel, gentlemen, that the Members of this House, in their repeated expressions of interest in a merchant marine, in their continued thought to its problems, and in their votes from time to time of appropriations for a merchant marine, have but reflected the sentiment that exists all through the United States, that the American flag shall not depart from the seas.

The problem involves, as the gentleman from Maine has said, the development of the foreign commerce of the United States. It involves the question of the national defense of our country. We have realized that we can not retain our position in the foreign commerce of the world unless we possess the delivery wagons to carry the goods that are manufactured here or that are raised here for sale upon the markets of the world.

Mr. LINTHICUM. Will the gentleman yield for a question?

Mr. BLAND. Yes.

Mr. LINTHICUM. At one time we had a very large merchant marine, and I would like to know why it was we allowed it to be sold and distributed, and so on, at a great loss to the country. Why did we not continue the merchant marine, which was very large, indeed, under the Shipping Board as we had it? Can the gentleman tell me anything about that?

Mr. BLAND. The policy, as declared in the act of 1920, was to transfer the ships of the Shipping Board to private operation as rapidly as this could be conveniently done in the interest of the country.

Some of these ships have been transferred. They are still in operation. Others are not in operation at the present time, for

the reason that there was no appropriation for them, and because those ships are not constructed so as to be susceptible of economic operation.

Mr. SOMERS of New York. A good many of these ships were designed to meet war conditions?

Mr. BLAND. Yes; the ships were built for war purposes and to meet, as the gentleman says, war conditions. As one witness who appeared before our committee said, it is very much as if an employer had too many unskilled laborers at the very time when he needed a larger number of skilled laborers. Speed and regular service are essential in order that there shall be built up a merchant marine, and by these ships rapid and economical and regular service can not be provided. However, these Shipping Board ships have served a very useful purpose. They served a good purpose in 1926, when the foreign ships were diverted into the coal business and when we were without ships in regular operation to carry the products of the farm, our cotton and our grain, to the markets of the world. They were put up on the seas, and as Secretary Hoover said, they saved \$650,000,000 to the American farmers and the American people.

Mr. MOREHEAD. Will the gentleman yield?

Mr. BLAND. I will.

Mr. MOREHEAD. What is the attitude of the President in regard to building up the shipping business—what are his recommendations to Congress in that respect?

Mr. BLAND. As I recall various expressions in the messages of the President, he is interested in the building up of a merchant marine, but if the gentleman wants a more particular expression of the attitude of the President on the subject, I must refer him to some Member of the President's own party. I am not sufficiently in the confidence of the President to answer him.

Mr. KINDRED. Will the gentleman yield?

Mr. BLAND. Yes.

Mr. KINDRED. Will the gentleman explain with reference to the liability of the United States for certain established claims? Will they have to come to Congress to collect any damages?

Mr. BLAND. I do not think so.

Mr. SOMERS of New York. They are all taken care of.

Mr. BLAND. I am satisfied that that would be handled by the Shipping Board.

Mr. KINDRED. And that any claim for damages could be collected without coming to Congress?

Mr. BLAND. That is the intention of the bill.

Mr. MOREHEAD. I want to say to the gentleman that the reason I asked the question as to the attitude of the administration was that I was carrying out the thought of my friend from Maryland [Mr. LINTHICUM]. My thought as a business man was that any business that does not pay, that holds out no opportunity for it to be profitable to the private shipowner or the Government was not encouraging, and I gathered that from the remarks of the gentleman from Maine.

Mr. BLAND. Will the gentleman repeat his question?

Mr. MOREHEAD. The only thing presented by the gentleman from Maine was that the present ships are not being used a great deal of the time, and I was wondering if the abandonment of the shipyards was not an elimination and consolidation of the different yards? What I wanted to say, however, was that if the gentleman could give us some encouragement that some time the operation will be successful and not be a loss to the private owners or the Government.

Mr. BLAND. That is the thought of the committee in the presentation of this bill. In the first place, in order to establish a merchant marine I think it will be conceded that we must have a merchant marine in private hands, for unless the Government makes larger appropriations than I think probable, you are not going to secure out of the private treasury the necessary replacements for our merchant marine. The encouragement that is held out in this bill we think will be able to secure private capital, which will go into the upbuilding of the merchant marine and will result in the building of modern ships.

I want to call attention to this—and it was referred to by the gentleman from Maine—that Great Britain, by the trade-facilities loan or some legislation of that kind, created in 1921 an initial fund of \$121,000,000 to be used in doing the very thing contemplated here. As I recall the testimony before the committee, that fund of \$121,000,000 has been increased until it is now \$365,000,000. This fund is used for the purpose primarily of causing ships to be built in British yards. Those ships are the most modern types of vessels. If a man in Great Britain desires to build a ship, he applies to the authorities having in charge the administration of that fund, and the Gov-

ernment lends him 85 per cent of the cost of the vessel. This loan is made for a long term.

In this connection I may call attention to the fact, as shown before our committee, that the Government of Belgium subscribed a million dollars to the stock of three Belgian steamship companies, and that it guaranteed, in 1916, the Lloyd Royal Belge Steamship Co. for \$19,300,000. According to Mr. Plummer, of the Shipping Board, that company is one of the most energetic competitors of our domestic ships in the North Atlantic trade.

It was testified that in 1925 the German Government, despite its financial condition, placed \$12,000,000 at the disposal of German steamship companies as loans, and that in 1924 the French Government guaranteed a loan of \$10,000,000 for a 25-year period, the loan being at 7 per cent, the 7 per cent to be paid not to the Government but to the purchasers of these debentures.

The evidence was to the effect that American bankers handled that particular loan; so that, while it is very difficult to induce American bankers to handle a loan for an American shipping company, this loan was handled by them, though, of course, it should be said that in handling this loan they had the French Government behind the loan.

The evidence further disclosed that Japan, having since 1889 paid construction and operating bounties which in 1910 reached the annual sum of \$7,386,000, in spite of their cheap labor and cheap production, is now proposing a \$75,000,000 loan fund—one-half for construction and one-half for operation bounties—and those are for vessels to run to the west coast of the United States. The evidence was further that last year Japan loaned 30,000,000 yen to the Tokyo dockyards in order that they might have proper facilities for keeping their great trans-Pacific ships in first-class shape.

The evidence before the committee showed further that Great Britain had developed something that was said to be unique in international trade and in harmony with the trade facilities act which I have mentioned. I refer to the export credits act, under which that Government has created a further fund of \$126,000,000 so that the English merchant who is selling goods abroad can give his customer such long-time credit as he may desire and yet raise money on his bills of lading so as to have capital for his own uses as he may desire, while giving his customer whatever credit he needs.

This statement will explain why other nations are securing so many modern ships, for, as the gentleman from Maine has said, all of the ship-owning, maritime nations of the world are putting modern ships upon the seas.

Our own people in America are not supporting the American merchant marine as they should, and frequently their failure to do so arises from no lack of patriotism or from any desire to fail in support to our American merchant marine but simply because under the conditions existing to-day they fear that the American flag is going to leave the seas. In consequence they are afraid to cut off their connections and trade relations with foreign shipping interests. They are afraid that if they do so they will be left high and dry. We believe that if this bill is passed it will be an inducement to our people to support our ships. We believe, as one of the newspapers of this country has said, that it will be a proclamation to the world that America has just begun to fight for her place on the seas, and that it will serve notice to the people in our own country that America is going to keep her flag there. We believe that it will serve notice to all foreign shipping interests that are now discriminating against us, and to all countries that may be discriminating against us, that all discrimination may as well cease, and that they may as well try to harmonize their interests with ours. We will notify the world that we are determined that our flag shall be kept on the seas, in private hands, if possible, but if that be not possible nevertheless that our flag shall be kept upon the seas by appropriations out of the Treasury of the United States and by Government-owned ships. [Applause.]

Mr. KINDRED. In connection with the appropriations and provisions of this bill, which is a good bill, under the operation of the bill what will be the net loss to the United States Government?

Mr. BLAND. I can not say that there would be any net loss. Take the construction loan fund of 75 per cent, which is contemplated to be loaned. It will be loaned at a rate of interest at which the Government can borrow the money, and there will be no loss there because it has to be secured.

Mr. KINDRED. Judging from operations in the past, what will probably be the loss?

Mr. BLAND. It would be impossible for me to say what the losses would be if we go on in the way in which we have gone in the past and in which we are now going; but the



situation would be this, that if we continue as at present our Government-owned merchant marine will in a short time be upon the rocks by reason of the necessary obsolescence of our ships. It will be there because our ships themselves are not modern, and commerce will go to the more modern, speedier, and more economical ships.

Mr. KINDRED. But any reasonable loss will be justified by the results accomplished?

Mr. BLAND. Any reasonable loss, but I can not see how there will be any loss. Certainly not under the construction loan fund, and under the mail pay act the testimony of the Postmaster General is that if we can get faster ships we will increase our funds there, so that he estimates there will be no loss there.

Mr. KINDRED. There have been losses in the past?

Mr. BLAND. Yes; running to an enormous sum, which I can not give the gentleman at this time.

Mr. DAVIS. Mr. Chairman, will the gentleman yield?

Mr. BLAND. Yes.

Mr. DAVIS. I suggest to the gentleman from New York [Mr. KINDRED] that the provisions require an annual payment, not only of the interest but of a pro rata part of the principal, over an average of years. If there should be a default in the payment, under the mortgage the Government would take the ship, and we could either resell it or operate it. It is our purpose to maintain a merchant marine one way or the other.

Mr. KINDRED. Will the gentleman tell us the justification for any loss by the results expected?

Mr. DAVIS. I think we are justified in taking some risk, not only from the standpoint of American commerce but from the standpoint of national defense.

Mr. MORTON D. HULL. Mr. Chairman, will the gentleman yield?

Mr. BLAND. Yes.

Mr. MORTON D. HULL. What is the gentleman's understanding of the total loan fund provided by this bill?

Mr. BLAND. Not to exceed \$250,000,000.

Mr. MORTON D. HULL. What is the gentleman's explanation of the phrase "exclusive of such repayments"?

Mr. BLAND. My explanation is that which has been given by the gentleman from Maine [Mr. WHITE]. Certainly that was the intention of the committee. It was their intention that the maximum fund should not exceed \$250,000,000. If the language does not express that idea, then I am perfectly willing to make that intention clear. We had the bill prepared with the aid of the legal drafting department, and that was the thought the committee had in mind.

Mr. MORTON D. HULL. Further, the bill provides:

(b) When \$250,000,000 has been credited to such fund—

And so forth.

Mr. BLAND. I heard the question which the gentleman asked the gentleman from Maine, and if there is any doubt about that intent, then I am sure that the committee will be delighted to clear it up. I want to call attention to just one more thing. Reference has been made to the condition of the private shipyards. I fear there may exist the thought that these shipyards exist only for the particular sections in which they are located. The testimony before our committee shows that if you were to take a \$15,000,000 passenger vessel and were to construct it in a shipyard, only 39 per cent of the total cost of building such a vessel would be expended in that yard; 5.6 per cent would go for taxes, insurance, and depreciation; 4.6 per cent would go for freight. I show this because I want to show the interest the country at large has in the maintenance and preservation of these institutions. The remainder of 50.8 per cent is represented by material furnished by supply people throughout the country, and it was shown just how that would work out. It would go as far west as Oregon.

The evidence was that from Oregon there would be \$35,000 of material purchased; in the State of Idaho, \$35,000; in the State of Texas, \$44,000; in Oklahoma, \$35,000; Arkansas, \$15,000; Louisiana, \$25,000; Mississippi, \$25,000; Alabama, \$25,000; Georgia, \$46,000; Tennessee, \$25,000; Indiana, \$235,000; Ohio, \$350,000; Michigan, \$260,000; Minnesota, \$92,000; Missouri, \$46,000; and so on. So that the distribution is all over the country, and, more than that, there is the matter of our national defense. We should have these instrumentalities to be used when needed. [Applause.]

These private institutions are essential to our defense. In the case of the Newport News yard alone, during the World War, there were repaired and sent to sea 1,000 vessels, an average of two a day. Many of these ships were armed merchantmen. That yard repaired almost the entire fleet of 25 transports running out of Hampton Roads. They delivered 10 ships of 100,000

tons carrying capacity, and in addition they completed three destroyers and completed a battleship.

Unless something is done soon shipbuilding will become a lost art in America. There is a total of 60 shipways in the five east coast yards, and 50 of them are vacant.

An old-established yard which had built ships for nearly 100 years has gone under.

It was not until 1900 that the schools and colleges of this country, teaching shipbuilding and engineering, had progressed to such a point that the Navy Department would send its students to them to acquire their theoretical education. Since 1900 we have had students from the Navy at the Massachusetts Institute of Technology and at some of the other schools in this country, but now the demand for these students in shipyards has fallen off to such an extent due to her lack of shipbuilding, that they can not obtain employment after graduation, and if the present conditions continue for another 10 years, American students must be again sent abroad to learn their business.

American merchant ships are essential to our national prosperity and to our national defense. American shipyards are essential to an American merchant marine.

The CHAIRMAN. The time of the gentleman from Virginia has expired.

Mr. WHITE of Maine. Mr. Chairman, I yield to the gentleman from Indiana [Mr. Wood] 20 minutes.

The CHAIRMAN. The gentleman from Indiana is recognized for 20 minutes.

Mr. WOOD. Mr. Chairman and gentlemen of the House, before commencing the statement I have to make I wish to congratulate the Committee on the Merchant Marine and Fisheries for their accomplishment. While it may not be all that is to be desired—and it is not—and while it may not be all that we ought to have at this time, it is a splendid start in the right direction, and I hope that every man who is in favor of an American merchant marine will give his hearty support to this measure. [Applause.] I expect to support it, and am glad of the opportunity. I have some amendments here that I propose to offer; but whether they are adopted or not, I shall support this bill.

I think that in proposing these amendments we will indicate to the committee and to the House and to the Nation something of the necessity that will have to be met before we shall ever have a well-rounded and completed merchant marine.

I also wish to thank the gentlemen of this committee and each individual member of it for the very courteous treatment I have received at their hands on the various occasions when I have appeared before the committee to present my views.

The maritime mandate of the American people—the unqualified determination to provide an American merchant marine—is vigorously asserted in the preamble of the merchant marine act of 1920. It is the American declaration of maritime independence.

The achievement of that courageous aspiration will render a service to our entire country in which all our people participate.

It will provide the balance wheel of our national prosperity.

Not only is it indispensable as an auxiliary to our national defense, it is in fact an actual part of our Naval Establishment. It completes that aspect of our Government which only can be adequately expressed as sea power.

Can such an essence of our welfare and security fail to have the united support of all who benefit by our institutions?

The problem now confronting us is: How shall we complete the accomplishment of our declaration of 1920?

Let us briefly review outstanding facts.

#### MAGNITUDE OF OUR FOREIGN COMMERCE

The total value of American foreign trade for 1927 amounted to \$9,230,000,000. The total value of the water-borne portion amounted to nearly \$8,000,000,000. In volume the water-borne portion amounted to 113,000,000 cargo tons. The freight bill for transporting this commerce amounted to \$760,000,000. American ships received approximately 30 per cent of this amount.

Thirty-two countries with 5,700 vessels of over 26,000,000 gross tons participate in the transportation of our foreign trade. Those vessels represent a total of 58,000 entrances and clearances.

Foreign-flag ships carry more than 66 per cent of our entire foreign trade, American-flag vessels carry less than 34 per cent.

There are but 475 American-flag vessels capable of meeting the foreign competition presented by more than 4,000 vessels.

Since 1922 our foreign competitors have built 1,280 vessels for transoceanic service. The United States has constructed 18.

Our foreign commerce is divided into two groups commonly referred to as the "near-by foreign trade" and the "overseas foreign trade" which are defined as follows:

## NEAR-BY FOREIGN TRADE

The "near-by foreign trade" of the United States includes commerce with Canada, Mexico, Central America, West Indies, and the north coast of South America to and including the Guianas.

In this trade approximately 43,000,000 tons are moved annually with an average value of \$30 per ton of merchandise, and constitutes more than 26 per cent in tonnage volume of our entire water-borne foreign commerce.

Mr. O'CONNELL. Mr. Chairman, will the gentleman yield?

Mr. WOOD. Certainly.

Mr. O'CONNELL. The gentleman is making a very interesting statement. Can he tell us from what source he has obtained those figures? Are these the gentleman's own figures, or are they furnished by the Department of Commerce?

Mr. WOOD. These figures are largely furnished by the Department of Commerce.

American vessels carry approximately 56 per cent of the import cargo tonnage and 52 per cent of the export cargo tonnage.

The Great Lakes trade with Canada includes tonnage amounting to more than 11 per cent of our total water-borne foreign commerce and American vessels carry two-thirds of the import cargo, but only 40 per cent of the export cargo in the Great Lakes foreign trade.

The average value of near-by imports, including Great Lakes trade, is slightly more than \$26 a ton of merchandise, and the average value of exports is almost \$37.50 a ton of merchandise.

## OVERSEAS FOREIGN TRADE

The "overseas foreign trade" of the United States includes commerce with all countries other than those described in the "near-by foreign trade"—trans-Atlantic, trans-Pacific, and the east and west coasts of South America.

In this trade approximately 70,000,000 tons of freight are moved annually with an average of \$95 per cargo ton of merchandise, and constitutes nearly 62 per cent in tonnage volume and 80 per cent in value of our total water-borne foreign commerce.

American flag vessels carry less than 30 per cent of the import cargo tonnage and less than 19 per cent of the export cargo tonnage.

In other words, we carry only 30 per cent of what we buy and the foreigners carry 81 per cent of what they buy from us.

The average value of overseas imports is \$182.50 a ton of merchandise, and the average value of overseas exports is \$66.20 a ton of merchandise. Please note that our foreign competitors do not permit us to carry our share of the higher-priced cargo.

## WHAT OUR COMPETITORS HAVE DONE TO RETRIEVE THEIR SHIPPING

Shipbuilding activities of the principal maritime nations from 1922-1927, covering ships of 2,000 gross tons and over suitable for trans-oceanic service, are shown in the following table:

Country	Number of ships	Gross tons
Great Britain.....	882	4,905,853
Germany.....	192	1,118,635
France.....	104	630,613
Italy.....	87	711,499
Japan.....	75	333,327
United States.....	18	195,191
Total.....		7,895,118

The statement discloses that out of a total of almost 1,300 ships of approximately 8,000,000 gross tons the United States is credited with but 18 ships of less than 200,000 gross tons, thus being outbuilt by Great Britain by almost 50 to 1; Germany, more than 10 to 1; France, more than 5 to 1; Italy, almost 5 to 1; and Japan, more than 4 to 1.

Mr. SHALLENBERGER. Mr. Chairman, will the gentleman yield?

Mr. WOOD. Yes.

Mr. SHALLENBERGER. I am very much interested in that statement. Can you give us your judgment as to what we ought to do to correct that?

Mr. WOOD. Yes. I will give that later.

The postwar trend has been toward cargo-liner service—that is, a regular service on definite routes—in contradistinction to tramp service. Over 75 per cent of the world's shipping is now engaged in this class of service. Prior to 1914 it was but 25 per cent.

Our competitors were quick to recognize this trend and have either built or acquired modern tonnage with increased speeds and other economic advantages as shown by the following compilation:

Country	12 knots and over, number of ships	14 knots and over, number of ships	16 knots and over, number of ships	18 knots and over, number of ships	20 knots and over, number of ships
Great Britain.....	1,280	436	145	38	12
France.....	277	105	55	19	11
United States.....	235	101	37	6	2
Japan.....	206	56	10	2	2
Italy.....	186	55	27	9	9
Germany.....	153	29	9	2	1
Total.....	2,337	782	283	76	37

We now realize how severely handicapped we are to meet competition!

Flag-waving arguments have little or no effect in influencing American shippers to use our ships until such time as we can place at their disposal ships offering the same advantage in speed, regularity, and frequency of sailings as are offered by our competitors. Not until that time can we be assured of the full support of American shippers, nor is it fair or reasonable for us to expect them to accept inferior commercial service under the guise of patriotism.

Mr. MONTAGUE. Mr. Chairman, will the gentleman yield?

Mr. WOOD. Yes.

Mr. MONTAGUE. The gentleman has not mentioned at all the figures of Scandinavian countries carrying sea-borne commerce?

Mr. WOOD. I have not put it in my statement.

Mr. MONTAGUE. Can the gentleman give us the figures as to their water-borne commerce by sail and not by steam?

Mr. WOOD. No. I am only dealing with the character of vessels with which we are and are to be in competition.

Mr. MONTAGUE. I was just inquiring.

## HOW AND WHY AMERICAN SHIPPING IS HANDICAPPED

Mr. WOOD. In the problem confronting us in placing American shipping where it rightfully belongs we must consider the economic phase. Some are of the opinion that this basic obstacle can be overcome by increased efficiency and ingenuity. What are the facts? The major handicap against us is due to the higher shipbuilding costs in the United States. It is not due to the lack of efficiency or ingenuity. In normal times the personnel and equipment of our shipyards—of the few that are left—are as efficient as any in the world. The reason for our higher ship construction costs is the result of our higher living standards and no amount of increased efficiency or ingenuity can offset this handicap.

We have heard statements that many of our industries have been able to manufacture their products to enable them to compete in foreign markets. This is true where industries can take advantage of mass production methods, but such methods do not apply in the construction of ships. The reason for this is that under normal conditions seldom more than half a dozen ships are built from the one design. Therefore this expedient can not be used to lessen the handicap of American shipyards in competition with foreign yards where labor and material are cheaper to any appreciable extent. It must be remembered that ships are built to order—not manufactured, and that the normal life is 20 years.

American shipyards are, therefore, in direct competition with foreign yards.

The difference in construction costs of ships built in American yards compared with those built abroad results in an annual handicap of over 4 per cent of the price paid for the vessel built in an American yard.

Where standards of living differ in the countries engaged in the business of building ships the cost of construction will vary directly as the standards of living in those countries.

Until such time as the living standards of the countries with whom we are competing are brought to our level this handicap will prevail.

## TO WHAT EXTENT DO OUR SHIPPING LAWS HANDICAP US?

The seamen's act has been most severely criticized as handicapping American shipping. After carefully analyzing the provisions in this act it appears that the criticisms are largely unfounded. The frequent advances of pay to the crew may be undesirable. However, prior to the seamen's act advances were made to the crew, and it would seem that this is a matter which the master of the vessel can deal with in a satisfactory manner.

Our measurement laws are also subject to considerable unfavorable comment, insinuating that American ships are discriminated against. This is a matter which has been thoroughly investigated, and the conclusions reached show that there is practically no difference in our laws as compared with



those of foreign countries. It has been found, however, that in some instances the provisions in the American rules have not been fully taken advantage of; hence, the fault lies not in the existing law but to negligence on the part of the shipowner.

Our steamboat inspection laws have been criticized particularly with reference to the testing of boilers.

While our laws appear to be more severe than those of other countries, it remains a question, and largely a matter of opinion, whether our laws should be changed to conform to those of other countries.

In summing up the situation regarding these laws which have been unduly criticized without a thorough understanding of them the final result, due to any changes that might be made, would be trivial. It is felt, after numerous interviews and consultations with practical steamship owners and operators, that such items as those referred to in our existing laws as constituting a handicap could be easily overcome when the major handicap, the construction differential, is absorbed.

#### CONCLUSIONS

Successful competition in the world's markets is predicated on the delivered price of the commodity—in first-class condition—in the shortest time. This not only requires ships equal to those of our competitors in speed, regularity, and frequency of sailings, but obviously necessitates equalizing the higher American construction costs as compared with the lower ship-construction costs prevalent in foreign shipyards. This is our greatest handicap.

If we are to continue to support our American industries, we must build our ships at home and give them the same protection against direct foreign competition that many of our other industries now enjoy.

It has been stated by some that the annual Government operating loss is, in effect, an indirect subsidy. A more accurate statement would be that this is the price we pay for the operation of obsolete and unsuitable types of ships in competition with the more modern and faster ships of our competitors.

Our past experiences have taught us that the pioneering and establishing period of steamship services is an expensive operation under the most favorable conditions. It is therefore quite obvious that slight progress, if any, can be made during that period until we have ships on a parity with those of our competitors.

In view of the rapid progress made by our competitors it is highly imperative that we begin a replacement and construction program without further delay, and in order to accomplish this there must be provided a plan—

Which will equalize the capital investment of the American and foreign ship;

Which will permit the ships to be owned and operated by private citizens under Government regulation;

Which provides for the owner to pay the full price of the American-built ship;

Which will insure permanency of operation; and

Which will guarantee adequate replacement.

The proposal I have to place before you fully incorporates these requirements.

#### THE REMEDY

There are several amendments I intend to offer to this bill. However, the one in which we are all most interested relates to the construction of cargo vessels and will be offered as section 303 of the bill.

How does the Government expect to compensate those charged with the responsibility of maintaining this national service, which so vitally affects both our country's prosperity and security? It is simple.

The bill provides a form of aid for vessels able to carry the mails. In addition the loan provisions are extended to aid American owners and operators. However, the cargo vessels, forming the backbone of any merchant fleet, are not adequately provided for. The difference in the cost of construction can not be absorbed by the measures proposed in the bill. To this end I offer the following amendment for your consideration:

SEC. 303. The board is hereby authorized and directed to make loans from the construction-loan fund for the total cost of construction of vessels for service in the foreign trade for citizens of the United States. Such vessels shall be constructed in American shipyards and according to designs approved by the board. Such sums as may be loaned for such construction shall be repaid to the construction-loan fund by the purchaser of such newly constructed vessels within a period of 20 years: *Provided*, That the contract and preferred mortgage guaranteeing the service of such vessel in the foreign trade shall provide for an initial payment of 5 per cent of the cost of the vessel upon the making of the contract and 5 per cent annually thereafter.

The provisions of this section shall not apply to vessels entitled to the benefit of Title IV of this act relating to the transportation of foreign mails.

It has been determined by experts in ship construction costs that a vessel costing \$1,000,000 in the United States can be constructed in Great Britain for \$636,942.67. After the British owner has charged interest on his investment, insurance, and depreciation, the cost at the end of 20 years exceeds \$1,000,000. It will be observed from the above amendment that the cost of this vessel is to be repaid by the American owner within 20 years, and after he has maintained insurance thereon the cost will be approximately equal to that of the British owner. This is only possible without charging interest on the principal of the loan.

The CHAIRMAN (Mr. CRAMTON). The time of the gentleman from Indiana has expired.

Mr. WOOD. May I have five minutes more?

Mr. WHITE of Maine. I give the gentleman five additional minutes.

The CHAIRMAN. The gentleman is recognized for five additional minutes.

Mr. WOOD. If the Government owned and operated the ships this fund would not be drawing interest. Therefore, to charge interest for this fund would be the equivalent of demanding of the private owner that he pay a bonus for the privilege of rendering our country a national service, since it benefits all of the people and insures the means for the establishment and maintenance of a permanently American owned and controlled merchant marine, a merchant marine which will be able to compete with any nation in the world and which will complete the establishment of an adequate naval sea power.

Do not take this proposal lightly; it is not without precedent. Our decline in maritime affairs resulted partially from our development of the interior. When national resources were made available for the development of our western territory we found railroads financing transcontinental projects through enormous land grants. Later, with the westward migration of our population, the reclamation of arid lands was essential. Here the Government constructed huge dams, with reservoirs, canals, and all necessary work for the creation of an irrigation and reclamation system. And under the reclamation act as amended the cost of this construction work is to be paid by settlers on those projects within a period of 40 years, but no interest is charged. To-day we find the Federal Government spending a hundred million dollars each year for the construction of highways, not one cent of which is repaid to the Treasury. Surely the meager aid I have suggested for our merchant marine is not without precedent.

In addition to the foregoing I wish, in conclusion, to direct your attention to a situation which deserves serious thought and consideration. In spite of the fact that we have been dubbed an Uncle Shylock the United States has proved a good samaritan to many foreign nations. We have loaned billions of dollars abroad for the rehabilitation of those nations and their industries.

Directly or indirectly some of those very nations with whom we are competing in the markets of the world have been enabled to build up and modernize their shipping, the necessary funds being obtained from loans granted by the United States. I have here a statement showing the amount of the funded debt of various foreign nations, the total payments to be made, and the present worth of payments as at the time of funding.

Funded indebtedness of foreign governments to the United States

Country	Date of agreements	Amount of debt as funded	Total payments to be made	Present worth of payments (at time of funding) at 4½ per cent compound interest	Per cent of present worth to amount as funded
Great Britain.....	June 18, 1923	\$4,600,000,000	\$11,105,965,000	\$3,792,350,150	82.44
France.....	Apr. 29, 1926	4,025,000,000	6,847,647,104	2,008,122,624	49.89
Italy.....	Nov. 14, 1925	2,042,000,000	2,407,677,500	535,312,311	26.21
Belgium.....	Aug. 18, 1925	417,000,000	727,830,500	226,020,669	54.20
Finland.....	May 1, 1923	9,000,000	21,695,055	7,420,497	82.45
Hungary.....	May 29, 1924	1,930,000	4,693,240	1,598,429	82.44
Lithuania.....	Sept. 22, 1924	6,030,000	14,531,940	4,972,364	82.46
Poland.....	Nov. 14, 1924	178,560,000	435,687,550	146,989,791	82.30
Latvia.....	Sept. 24, 1925	5,775,000	13,958,635	4,760,424	82.36
Czechoslovakia.....	Oct. 13, 1925	115,000,000	312,811,439	92,167,514	80.15
Estonia.....	Oct. 28, 1925	13,830,000	33,331,140	11,404,289	82.46
Rumania.....	Dec. 4, 1925	44,590,000	122,506,200	35,343,429	79.26
Yugoslavia.....	May 2, 1926	62,850,000	95,177,635	20,236,000	32.21
Total.....		11,521,574,000	22,143,512,997	6,886,608,491	59.77

<sup>1</sup> Computed by the Treasury Department.

It will be observed that Great Britain, France, and Italy, which countries are our principal competitors in maritime affairs, profited handsomely by the funding of their debts. For these three countries the difference between the amount of the debt as funded and the present worth of payments at the time of funding is \$4,330,234,915. A very liberal estimate of the cost of vessels constructed by these three countries since 1922 is \$2,000,000,000. There remains an additional \$2,000,000,000 for expenditures unknown.

The amendments I have outlined give no more to the private owner than would be given to the Government. There is, however, this advantage: Under private operation, at the end of 20 years, the original cost of construction has been repaid to the marine security fund from private sources, as compared to reimbursement by the Government, coming from a public source, the United States Treasury.

Surely the time has arrived to rehabilitate industries so vital and indispensable as our shipbuilding and shipping, to make it possible to successfully compete with the very ships American dollars enabled our competitors to build.

My proposal only asks that the American merchant marine be accorded the same treatment extended to our competitors. Action is imperative. It is now a matter of self-preservation. The issue is one which not only affects our prosperity and security, but the very destiny of these United States.

Gentlemen, I thank you. [Applause.]

The CHAIRMAN. The time of the gentleman from Indiana has again expired.

Mr. DAVIS. Mr. Chairman, I yield 20 minutes to the gentleman from Texas [Mr. Briggs].

The CHAIRMAN. The gentleman from Texas is recognized for 20 minutes.

Mr. BRIGGS. Mr. Chairman and gentlemen of the committee, I do not think any subject before the American people is fraught with more concern to their interest than the subject of the American merchant marine. I do not think that there has ever been a greater lack of information indicated as to what the fleet which America now possesses is worth than that which obtains in many circles to-day regarding the American merchant marine.

Many people are prone to think that the great construction program of ships during the World War resulted in little or no benefit to the American people. The facts are that for the first two years after their construction they earned \$500,000,000.

The further fact is true that had it not been for the existence of the ships of the United States since the World War the American people would have paid out in increased freight rates probably a billion dollars more than they have paid. That alone would disclose a billion and a half return to the people for the \$3,000,000,000 they have expended in the construction of the ships.

But more than that, the United States upon the close of the World War and, particularly, directly after the World War, found for a long time the utmost difficulty in getting adequate tonnage, even with the new ships, to move the commerce desired by the foreign countries of the world. Tonnage rates were exceedingly high, and the United States employed the bulk of its fleet in that service. But in the year 1920 the crisis came in ocean rates. Shipping became demoralized, because commerce became demoralized. Commerce on the high seas declined to such an extent that there was a vastly greater amount of tonnage than there was available cargo or any demand for tonnage.

The result was that ocean rates fell practically below the cost of operation; and a world-wide demoralization of rates, experienced by all nations, resulted, and still continues to be felt, even though conditions have recently improved.

The United States Government was operating its fleet several years ago at a deficit, if you choose to call it such, of approximately \$50,000,000 a year. The statement by the Fleet Corporation for last year reflected the fact that such deficit was practically reduced to \$13,600,000. The reduction in operating deficits therefore is approximately \$36,400,000.

What has the fleet accomplished in addition to those things to which I have already called attention and which graphically illustrate the constant value of an American merchant marine to the American people? In 1924 there was a tremendous scarcity of tonnage. A great deal of the foreign tramp tonnage, so-called, which comes into our ports to carry cargoes of a seasonal character from the United States to different parts of the world, was not available. It was being utilized by its own countries for emergency uses. What happened? An appeal had to be made for the United States to put into service additional ships. Why? Because producers, and particularly the wheat and cotton growers of this Nation, could not move

their exportable surplus from the United States to the foreign countries that wanted that surplus. They could not get the tonnage to do it.

Representations were made to the President of the United States for the purpose of securing his authorization for the use of extra ships. The President gave that authorization and ships were put into service at an additional cost to the Government of about three-quarters of a million dollars. The testimony of the Secretary of Commerce before the House Merchant Marine Committee subsequently disclosed the fact that in providing that tonnage and lifting that exportable surplus of wheat alone from the American market caused wheat to rebound from \$1 a bushel to \$1.65 a bushel, and resulted in an increase in the market price of the wheat crop of the United States of about \$650,000,000. So you can add that item to the benefits of the American merchant marine. Undoubtedly such extra American ships also saved millions to the cotton and other producers, agricultural and industrial, shipping to foreign markets.

In 1926, during the great British coal strike, we had another instance of inability to get ships to move the seasonal commerce of this country—cotton, grain, and its products, manufactured commodities and coal. What was the result? The Government put into service 100 extra ships from its idle fleet, and they moved the commerce of the United States to the markets of the world, when and where the people wanted that commerce; for, mind you, the wants of the people for certain products are not always a constant quantity. Those wants are often acute at a time when people are not able to buy the same products in other world markets, so that they must come to the United States to get those products. If you do not move them when they want them, or if you wait until commodities of a similar character are available in other countries, you have severe competition, and as a result there is serious difficulty in selling, or often an inability to sell, your products in foreign markets. The result was that by putting those 100 extra ships into the service of the United States to move cotton, grain, and the products therefrom, as well as other agricultural and manufactured products of this Nation, the American people benefited to the extent of approximately a quarter of a billion dollars. So with the fleet, or a large part of it, still existent, you have already had placed before you financial returns from it to the American people of at least two billion five hundred million, and probably as much as two billion seven hundred and fifty million, a sum almost equaling the cost of the original fleet.

Now, it is perfectly true that the trend to-day is toward faster and speedier ships. It is perfectly true that the ships you have are good ships so far as they go. Practically every witness that came before the Merchant Marine Committee testified to the worth of the great majority of the ships which the United States owns. Of the original 2,500 vessels owned by the United States, we have sold about 1,700 at a return of approximately \$300,000,000.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. BRIGGS. Yes.

Mr. VINSON of Kentucky. In respect of the sale of ships by the Shipping Board what is the usual term of restricted use?

Mr. BRIGGS. You mean the five-year period?

Mr. VINSON of Kentucky. Is it a five-year period?

Mr. BRIGGS. Usually.

Mr. VINSON of Kentucky. Has there been any effort made to change the period?

Mr. BRIGGS. Well, there was a very decided effort made, I think, in the Shipping Board itself, and there was quite a wide difference of opinion prevailing there with regard to whether the contract of sale of the lines on the Pacific coast should provide for 5 or 10 year operation of such lines under the American flag. The determination of that question tied up the Shipping Board a long time, but it made an adjustment in some way and finally provided for a five-year period.

Mr. VINSON of Kentucky. The restricted use period, then, is not statutory, but it is subject to the action of the Shipping Board?

Mr. BRIGGS. That is it under existing law. But the proposed bill before you provides that during the life of the loan period of 20 years, for the construction of new ships, such ships must remain and continue in operation under the American flag.

Mr. BLAND. And if reconditioned, for five years?

Mr. BRIGGS. Yes; if they borrow money for that purpose, they must operate the ships under the American flag for not less than five years.

The United States owns to-day approximately 800 ships, and about 268 or 270 of them are in actual operation. Of course, during the movement of seasonal crops more American vessels are employed than at other times. At that time the number will probably run in excess of 300 or 350, according to the de-



mand and the scarcity of other tonnage, as well as the competition which develops.

Mr. SHALLENBERGER. Will the gentleman yield?

Mr. BRIGGS. Yes.

Mr. SHALLENBERGER. When these new ships are called into service by seasonal demands are they operated by the Government directly or are they leased to private operators?

Mr. BRIGGS. The Government usually operates them under what is known as managing operators' agreements. That is the way practically all of these vessels are operated except the United States passenger line, which is practically operated directly by the Government.

Now, the question before the American people to-day is whether we are going to retain and strengthen our place on the high seas and enjoy and increase the advantages which I have pointed out to you. The question is whether we are to hold not only the position we now command, and command only through the possession of our own fleet, but to provide for necessary expansion and development. That is the problem which has confronted the Nation for some time, and your committee has worked most earnestly to obtain a solution of that problem. It believes it has done so.

We believe in presenting this measure before you, while it is perhaps not an ideal measure, while it has been give and take to a very large extent, and the result of compromises, yet you have a measure here that will operate not only to materially benefit the American merchant marine but make possible its permanence and success.

It provides for the continuance under the Shipping Board of the existing trade routes and services operated by the Fleet Corporation until those trade routes and services are taken over by purchasers and privately operated.

It also makes the cargo carrier, as well as the passenger ship, eligible for mail contracts where such cargo vessel has at least a speed of 10 knots an hour and a tonnage of 2,500 gross tons.

The incentive to private ownership and operation is still further indicated when it is pointed out that serviceable, well-built ships of modern construction can be purchased by Americans from the fleet of the Shipping Board at a cost at least 250 per cent below the cost of replacement anywhere, and the purchaser thereby obtains a substantial reduction and aid in his capital investment.

Provision is also made for an increase in American seamen in crews, though it does not go as far as I should like to have it do. I look forward to the day when American ships are both completely owned and manned by Americans.

It also provides for an extension of insurance relief and other aid.

The bill invokes no new principle of Federal policy. The principles applied in the bill are all recognized and contained in existing law, and have simply been liberalized in return for added service to the people. The representatives of the Post Office Department testified that the postal receipts would cover the expense of mail contracts.

You have in it a doubling of the existing construction loan fund, which provides money at rates of interest at which the Government itself might borrow. It means no gift of the money. It is a loan of the money with good security on the ship, and with such additional security as the Shipping Board may require to insure the return or the repayment of the sums advanced.

Mr. MOORE of Virginia. May I interrupt the gentleman?

Mr. BRIGGS. Certainly.

Mr. MOORE of Virginia. Under the bill will not the American shipbuilder or the American shipowner be at an advantage in respect of the interest on the loan as compared with the British shipbuilder or shipowner?

Mr. BRIGGS. Most assuredly. This bill provides that the money may be obtained where the ship goes into foreign trade at the current rates of interest or the lowest rates of interest at which the Government may borrow the money. It means no loss to the people, but it gives ship operators and builders a very low rate of interest. The British have a fund along much the same line, but they require a rate of interest of approximately 5 per cent.

Mr. SHALLENBERGER. If I may interrupt, I understood the gentleman from Indiana to indicate that the money might be advanced without interest. Was that under his amendment?

Mr. BRIGGS. I do not know. That is not the committee bill. This bill is presented to you for adoption by this House upon the basis of a loan with an interest rate which shall not subject the Government of the United States to any loss, and yet gives to the ship owner or operator the benefit of very low rates of interest, and for that reason, even with reference to differences which may obtain in construction costs at home

and abroad, the American builder of ships will by the use of this fund have a 2 per cent advantage in the loan rate over a period of 20 years.

Mr. GREEN. Will the gentleman yield?

Mr. BRIGGS. Yes.

Mr. GREEN. I understand our merchant marine is not self-sustaining, and I was wondering about what the annual deficit has been for the last two or three years.

Mr. BRIGGS. I endeavored to explain a moment ago that that has been reduced from \$50,000,000 to almost \$13,000,000 a year.

Mr. GREEN. Is it hoped by the committee or does it appear that we may eventually wipe out that deficit?

Mr. BRIGGS. It is confidently expected. This committee reaffirms the policy of the act of 1920, that it ultimately hopes for private ownership and private operation of the American merchant marine, but until that time the American people are going to keep their fleets upon the high seas and operate their trade routes, if they have to do it, under the existing situation.

This is one of the most important things, it seems to me, that should be understood not only at home, but should be understood abroad—that the United States does not mean to relinquish its American merchant marine; that it is not a temporary affair. We have stricken from the name of the Fleet Corporation the word "Emergency" and we now call it the United States Shipping Board Merchant Fleet Corporation. This bill intends to serve notice that the United States is on the high seas to stay; that it is going to have vessels of a modern and well-balanced type to carry its cargoes; that it is not going to be as it was in 1914, practically without a ship to carry its commodities abroad and into the world markets, having to pay to foreign ships an increased freight cost of approximately \$5,000,000,000.

Mr. GREEN. Will the gentleman yield for a question there? I am asking this for information.

Mr. BRIGGS. Yes; that is what I am trying to give the committee.

Mr. GREEN. I understand the tonnage carried in American vessels has been decreasing in proportion to the amount carried by foreign vessels. By maintaining the merchant marine, does the gentleman, as a member of the committee, think this will have a tendency to have more of America's commerce carried in American vessels?

Mr. BRIGGS. Yes; and not only by maintaining it, but by developing in the United States a feeling of, "Let us do something for our own ships by shipping much more of our own commerce in and by traveling more on our own ships." [Applause.]

This bill provides that Government officials while on Government business shall travel on American ships where those ships are available.

Mr. Farrell, the president of the United States Steel Corporation, said that the greatest aid which the American merchant marine could have would be the support of the American people.

It came to my attention not a great while ago that one of the most difficult situations with which the United States ships still have to contend is the lack of sufficient import cargo. We carry a much larger proportion of exports than imports. This is what reduces the levels in the amount of cargo carried. We find that some importers will not utilize the American ships, although they can get the same service on the same terms as foreign ships provide; perhaps because such importers have not had their attention sufficiently directed to the situation. Americans should at least give the American ships an even break in the matter and let the American merchant marine reduce some of its operating losses and provide for the carriage of a greater share of commerce throughout the world for the American Nation.

Mr. McDUFFIE. May I interrupt the gentleman?

Mr. BRIGGS. Certainly.

Mr. McDUFFIE. I understood the gentleman from Indiana [Mr. Wood] to say that a ship costing \$1,000,000 in an American shipyard could be constructed in a British shipyard for \$600,000. This is quite a difference—nearly \$400,000, if I remember his figures correctly. Does the gentleman think under the provisions of this bill we are meeting that difference or that we can meet the difference so as to put the man who wants to invest his capital in ships on a parity with the British ship operator?

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. DAVIS. Mr. Chairman, I yield the gentleman 10 minutes more.

Mr. SHALLENBERGER. Will the gentleman yield there?

Mr. BRIGGS. Certainly.

Mr. SHALLENBERGER. I made some computations here while the gentleman from Indiana was talking to us dealing directly with what the gentleman from Alabama [Mr. McDUFFIE] has referred to. The difference in construction cost, as I figured it, is \$365,000 in favor of the English builder, and you propose a saving of 2 per cent to the American builder.

Mr. BRIGGS. Over a period of 20 years.

Mr. SHALLENBERGER. Which is \$400,000, so that the saving under your bill amounts to more than the difference in cost.

Mr. BRIGGS. That is exactly what I was getting ready to explain.

Mr. McDUFFIE. The Britisher borrows money now—

Mr. BRIGGS. But he borrows it at 5 per cent.

Mr. McDUFFIE. And you propose to have the American Government lend to the American shipbuilder or ship operator money at 3 per cent.

Mr. BRIGGS. At the current rate the United States may borrow it, probably 3 per cent, so the Government does not stand to lose anything on the transaction. I want to say to the people and to the membership of this committee of the House that to my mind this measure is capable of solving one of the most difficult problems we have ever had and solving it without burdening the American people or stifling initiative. We believe it will bring success.

Shipbuilders and ship operators who appeared before our committee indicated that they felt that such a measure as we have reported would make a success of American operation and of a privately owned and operated American merchant marine.

Of course, you must bear in mind that the success of any undertaking depends very much on the support it receives. The gentleman from Florida [Mr. GREEN] called attention to the decline in the amount of cargo that the United States vessels carry in foreign trade. The United States carries probably 34 per cent of the exports and imports in ocean trade; that does not include the Great Lakes. The rest of such commerce is carried in foreign vessels. It is not true that the United States could not carry more; but if it did, it would carry more at a resulting deficit.

Mr. MONTAGUE. Will the gentleman yield?

Mr. BRIGGS. Yes.

Mr. MONTAGUE. By ocean trade the gentleman means from the United States and to the United States. The gentleman is not dealing with the world ocean trade?

Mr. BRIGGS. I mean from the ports of the United States to foreign ports and back to the United States. I do not include the Great Lakes.

Mr. SOMERS of New York. Will the gentleman yield?

Mr. BRIGGS. Certainly.

Mr. SOMERS of New York. Is it not true that a study of the history of the American merchant marine reveals the fact that wherever conditions were equal the American merchant marine grew faster than any other?

Mr. BRIGGS. That is true. I want to call attention to the fact that from 1908 to 1914 the United States carried less, with the exception of one year, than 10 per cent of the volume of commerce of the United States in foreign trade. In carrying 34 per cent now we have made a tremendous advance from that period—an advance of nearly 350 per cent. But we ought to carry more. This bill is intended and designed that that shall be the result and to give that benefit without putting a tax on the people—it gives such benefit to the American merchant marine as will encourage it to build faster and better vessels, and also enable it to compete more successfully with the ships of foreign nations.

Mr. BLAND. Will the gentleman yield?

Mr. BRIGGS. I will.

Mr. BLAND. Is it not a fact that at one time the cotton of the South could not be shipped because the foreign ships were involved in other service?

Mr. BRIGGS. It was so in the World War when the cotton of the South was piled up in warehouses and yet the world wanted cotton, but there was not tonnage available to move it.

Mr. SHALLENBERGER. And the price of cotton fell to 6 cents a pound?

Mr. BRIGGS. Of course, it did. The fact that we had no ocean transportation resulted in a loss of hundreds of millions to the cotton farmers of the South and the manufacturers as well.

Mr. GREEN. If the gentleman will yield, I am glad to know that the committee has worked out this problem as well as it has, and I hope it will continue to work to the end that our ships may be built at home, and that we can carry more of American commerce.

Mr. BRIGGS. Now, I want to call attention to another thing, and that is that, after all, the heart of the whole situation is in the fact that you must have a market for your com-

modities either at home or abroad. You must have a market for the things you produce and you must have ships to carry your goods. The United States has been going into the world market more and more. Since the World War our water-borne foreign commerce has increased from 81,824,834 long tons in 1921 to 112,825,756 tons in 1926, or 37.9 per cent. The value has increased from \$6,888,000,000, in round numbers, in 1921, to \$9,142,000,000 in 1926. From 1921 to 1926 an average of 55.9 per cent of the cotton crop was exported to foreign markets; 27.3 per cent of the wheat crop, 47.6 per cent of the rye crop, and 26 per cent of the rice crop were also exported and consumed in foreign markets.

The same is true to a very large extent of other commodities. If you do not have the ships to carry those things when you need them, and you have to compete among the foreign ships for a limited amount of space, you are bound to pay vastly increased freight rates. The bill America now pays, as the gentleman from Indiana [Mr. WOOD] called attention to a few moments ago, averages over \$700,000,000 a year in ocean freight rates alone, and the average from 1921 to 1926 was about \$600,000,000 a year. As I have explained, if you had had only a 25 per cent increase in your ocean freight rates for that period of time, it would have added \$150,000,000 a year that the American producer would have had to pay, and it would have amounted to approximately \$900,000,000 in that period from 1921 to 1926.

Mr. Chairman, this bill may not be all everybody hopes for. We have attempted with the Senate bill which was presented to us to work out something we feel everybody could support, that would not be obnoxious to the American people, and would preserve to the American people their great fleet; that would not destroy, but preserve it; that not only will do that, but enable the American fleet to be added to in private operation by private operators, with fine modern ships, to compete with the foreign ships that are being constructed, and to which attention was so vividly called by the gentleman from Indiana [Mr. WOOD]. [Applause.]

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. WHITE of Maine. Mr. Chairman, I yield 15 minutes to the gentleman from Massachusetts [Mr. GIFFORD]. [Applause.]

Mr. GIFFORD. Mr. Chairman, I entered this House in November, 1922. The President had just called a special session of Congress to consider the passage of a ship subsidy bill. We were informed that our merchant marine was losing \$50,000,000 a year and that a bill would be presented to us under the provisions of which the cost to the Government would be only about \$30,000,000; that we had built a fleet during the war at a cost of \$3,400,000,000, and that in that year of 1922 it was worth not over \$400,000,000 and was eating its head off at the rate of \$1,000,000 per day. That was a direct subsidy bill, and we went so far in our anxiety to correct the situation that we passed legislation containing a clause requiring that half of our immigrants should be brought here in United States vessels, despite the fact that was in direct conflict with 32 existing treaties with foreign nations. Under that act we were willing to give \$15,000,000 direct compensating aid for losses. We were willing to grant \$7,000,000 in tax exemptions. That subsidy bill of 1922 was passed by the House by a fair majority and there were sufficient votes in the other branch to have passed it had not a vote thereon been prevented by a filibuster. As I have said, the bill provided for aids estimated at \$30,000,000 per year. It also provided that insurance be undertaken by the Government when necessary in order to meet competing rates established by foreign companies. There was a provision that the Navy should employ the merchant marine for its transportation purposes. The provisions of that direct subsidy bill plainly proved that the Nation demanded that an end be put to the annual loss of \$50,000,000 incurred under Government operation and that we should directly assist a private merchant marine at an expenditure of not more than \$30,000,000.

The United States Shipping Board has recently held meetings in various parts of the country and has reported that the Nation is unanimously in favor of a merchant marine, and one privately owned, if possible. The United States Chamber of Commerce has reported the same result from its questionnaires. Congress should show itself responsive to this general demand, and it is hoped that the bill which we now have before us for consideration will accomplish the desired result. Most of the Government-owned vessels are already operated by private companies, and we are paying these agents not only their commission on the freight rates but for the losses arising from such operation to an amount which is estimated at \$1.48 per ton. Including in the estimate depreciation, rents, interest, and the difference in insurance rates, these losses from operation and care of the fleet amount to nearly \$20,000,000 yearly. It is fur-



ther believed that the enactment of this bill would obviate the necessity of the Government entering on a further shipbuilding program. There is certainly sufficient capital in this country which would be attracted to this type of investment if a fair return were assured thereon.

New ships can not, however, be built at the price which would have to be paid in America without Government aid. This bill provides for loans to the extent of 75 per cent of the cost of construction and equipment at the current Government rates of interest. It is estimated that the consequent saving in interest charges over a period of 20 years would take care of the difference in the cost of building here in America and that the liberal mail contracts provided for by this bill should overcome the difference in operating expenses.

I wish to read this paragraph. In 1902 Great Britain through its admiralty loaned for a period of 20 years, at 2½ per cent, all the money required to build the 25-knot ships—the *Lusitania* and the *Mauretania*. It gave them a 20-year naval subvention of the equivalent of \$735,000 annually, to which the post office added a 25-year mail contract in the sum of \$330,000 per year.

The paragraph then goes on to show that these two vessels paid back every penny of that money, and that if the *Lusitania* had not been sunk they would have made a profit of about \$5,000,000.

Owing to the new building programs of foreign nations, and the liberal subventions granted by their governments, up-to-date and much faster ships of greater utility are now needed by the United States in order that we may be successful competitors. The vital question now is whether—and if so, under what conditions—we should begin the work of new construction? The country has declared itself against Government operation. In order to assure the accomplishment of new shipbuilding by private concerns we must be fair-minded and liberal. The Shipping Board is the agency which seems to hold the fate of this great problem in its control. We have made it our bankers and it is authorized to loan our money, even at a considerable risk, to accomplish the purposes provided in the act. Some losses should be regarded as justified if by sustaining them we can be of assistance to the Naval Establishment upon which we expend \$400,000,000 per year.

During the last six years our foreign competitors have built new vessels to the extent of from six to eight million tons, which is three times what the Shipping Board and all other American companies have engaged in foreign trade. During those six years we have not built a single ship to engage in foreign commerce. We must meet this competition of newer, larger, and faster ships, and we must do it under private operation. This can be accomplished only through liberal assistance from the Government.

It is confidently believed that the passage of this bill will result in the building of ships and the raising of our present fleet to a higher level of competitive efficiency. It will mean new prosperity for our shipyards and for the many lines of industry which contribute to the various phases of shipbuilding.

Our Shipping Board should take into consideration the foreign steamship affiliations of such persons as criticize the activities and plans of the board, or of any proposals advanced to upbuild our merchant marine. We must realize that capital provided by our own citizens is invested in foreign shipping and that many of those foreign lines are represented by American agents who have much influence in the shipping world. The seven members of our Shipping Board—two each from the Atlantic and Pacific coasts and one from the Gulf coast, Great Lakes, and agricultural sections of the country—have within their control the policy which will mean encouragement or discouragement to the patriotic and enthusiastic persons who, if this bill is enacted, will be willing to embark upon a new shipbuilding era and create ships which will be privately owned and privately operated.

Extreme interest is now being shown in the North Atlantic route which to-day is used almost exclusively by foreign vessels. Of the 18 monster steamships in operation we have practically only one—the *Leviathan*—and she is not making the maximum number of trips per year. Her sailings are irregular and do not have proper supplementary service.

Mr. COX. Will the gentleman yield?

Mr. GIFFORD. Yes.

Mr. COX. The observation has been made that there are discriminations against us, in the way of insurance and patronage, and so forth, because of the inadequate condition of the ships. Does not the statement that the gentleman has just made argue that even if our ships were in condition to put them on a parity with foreign ships, they still would not get the traffic?

Mr. GIFFORD. I do not think that is the trouble in the case of the *Leviathan*. Inasmuch as she is Government owned and operated I do not believe that argument applies.

Our imagination is fired by the bold and daring proposition of the Trans-Oceanic Co., whose proposal is to build six monster ships of greater speed and efficiency than any vessel now afloat. The shipping world has been startled before when similar proposals were made, and it is always a difficult task for the proponents of big, unproven projects to convince those who hold the control of finances that they should be approved and the necessary funds provided. The Shipping Board has recently reported unfavorably on the plan of the Trans-Oceanic Co. to the Senate. However, I see in its report no suggestion to the effect that this plan would not be a so-called essential service. It would almost seem that the North Atlantic business has become the most essential of services. If you will read the hearings held by our committee you will find that this company presented convincing reports from some of our greatest engineers, both from the construction and the operation standpoint. There were also reports from those highly qualified in the subject of economics which set forth the probable success of such operation. The report of the engineers and authorities representing the Shipping Board was diametrically opposed to those submitted by the company. It is our desire that the Shipping Board should be open-minded, keeping this proposition before it and granting sufficient hearings before it expresses its complete disapproval of the plan.

Since the greatest speed requirements of the present day have been met in the construction of naval vessels, such as the *Saratoga*, it necessarily follows that merchant ships can likewise be built having equal speed. Long and painstaking experimental work, both before and during construction, is always necessary, and construction plans having an absolute certainty of success naturally could not be ready for presentation at this time. It is my belief that our Government should cooperate, as did the Government of Great Britain in the building of the *Lusitania* and *Mauretania*, vessels which at that time were as revolutionary as those now proposed under the plan of the Trans-Oceanic Co. It has been suggested that, acting on the order adopted by the Senate, the Shipping Board report on this proposition as the experts for both parties have not consulted together, and that the previous report was premature. I appeal for a most careful reconsideration of the matter and trust that the Shipping Board will be fair-minded and give this company the fullest opportunity which it may desire to present its case through the medium of its expert advisors. It is true that in this case the radical departure of building ships with speed increased from 25 to 33 knots an hour must have most careful consideration, but I feel that the Shipping Board should be ready to give its sympathetic cooperation in determining the matter.

Seventy per cent of the North Atlantic business is American and if a four-day service at regular intervals can be inaugurated the proponents thereof should have every right to believe that they will receive, from patriotic citizens and the traveling public which will certainly welcome the saving in time, a sufficient amount of business to warrant the undertaking. Cold figures, based upon the present amount of business with a suggested normal increase of 2½ per cent each year should be convincing, even without taking into consideration the sentimental and patriotic factors which should induce our people to use this service. The financial responsibility of the new company, judged by the names of those who are, or will be, identified with the project should also be sufficient.

Speaking in the Senate recently, Senator BINGHAM devoted a great deal of attention to this matter, and spread at some length upon the record the names and standing of those identified with the company, thereby assuring us that from a financial standpoint the project was entirely feasible. At this time the Shipping Board may well give its attention to the determination of the question whether or not this would be an essential service. Under the very liberal construction of the act of 1920 and the present bill it is allowed great freedom. These acts even provide that it shall take the moral hazard into consideration. In fact, the act expressly recites that it shall loan money on vessels of the newest and most up to date types of construction. The Shipping Board's decision will be of tremendous importance to the country, and we must demand of it the strongest and most sincere efforts to place the entire merchant marine in the hands of private operators as soon as feasible, and to encourage any and all honest attempts of our citizens to build up that merchant marine, not only to meet our foreign competitors on a parity but to outstrip them in this highly competitive race.

We should consider the subject in a large way; we can afford to take chances in a business which is already losing money.

I told the chairman of our committee that I should devote the time allotted to me principally to this proposal for a North Atlantic service, since I believe that if this can be made effective the shipping problems of this country will be solved. We would be a "ship-minded" nation. I wish to call attention to the last few lines of the adverse report made by the United States Shipping Board. "They—the board—are prepared to state to the Senate how this can be accomplished." In closing I desire to say that when the board's plan is presented to the Senate and the Congress of the United States I trust that it will not of necessity be one for Government operation, but will rather be a plan for an American merchant marine privately owned and privately operated. [Applause.]

Mr. Chairman, I yield back the remainder of my time.

The CHAIRMAN. The gentleman yields back two minutes.

#### MESSAGE FROM THE PRESIDENT

The committee informally rose; and the Speaker having resumed the chair, a message in writing from the President of the United States was presented to the House of Representatives, by Mr. Latta, one of his secretaries, who also announced that on the following dates the President approved and signed bills and resolutions of the House of the following titles:

On April 28, 1928:

H. R. 7722. An act authorizing the health officer of the District of Columbia to issue a permit for the opening of the grave containing the remains of the late Nellie Richards.

On April 30, 1928:

H. R. 6103. An act to amend an act entitled "An act making appropriations for sundry civil expenses of the Government for fiscal year ending June 30, 1884," and for other purposes.

On May 1, 1928:

H. R. 484. An act to amend section 10 of the plant quarantine act, approved August 20, 1912;

H. R. 4068. An act for the relief of the Majestic Hotel, Lake Charles, La., and of Lieut. R. T. Cronau, United States Army;

H. R. 4126. An act authorizing the Secretary of the Interior to issue a patent to Katie Cassidy for a certain tract of land;

H. R. 7184. An act authorizing J. L. Rowan, his heirs, legal representatives, and assigns, to construct, maintain, and operate a bridge across the Ohio River at or near Shawneetown, Ill.;

H. R. 9485. An act authorizing Roy Clippinger, Ulys Pyle, Edgar Leathers, Groves K. Flescher, Carmen Flescher, their heirs, legal representatives, and assigns, to construct, maintain, and operate a bridge across the Wabash River at or near McGregors Ferry in White County, Ill.;

H. R. 11212. An act authorizing Paul Leupp, his heirs, legal representatives, or assigns, to construct, maintain, and operate a bridge across the Missouri River at or near Stanton, N. Dak.;

H. R. 11265. An act authorizing the Cabin Creek Kanawha Bridge Co., its successors and assigns, to construct, maintain, and operate a bridge across the Kanawha River at or near Cabin Creek, W. Va.;

H. R. 11266. An act authorizing the St. Albans Nitro Bridge Co., its successors and assigns, to construct, maintain, and operate a bridge across the Kanawha River at or near St. Albans, Kanawha County, W. Va.;

H. R. 11267. An act granting the consent of Congress to the board of county commissioners of Itasca County, Minn., to construct, maintain, and operate a free highway bridge across the Mississippi River at or near the road between the villages of Cohasset and Deer River, Minn.;

H. R. 11279. An act authorizing the Postmaster General to establish a uniform system of registration of mail matter, and for other purposes;

H. R. 11356. An act authorizing the State of Indiana to construct, maintain, and operate a toll bridge across the Ohio River at or near Rockport, Ind.;

H. R. 11473. An act granting the consent of Congress to the States of North Dakota and Minnesota to construct, maintain, and operate a bridge across the Red River of the North at Fargo, N. Dak.;

H. R. 11578. An act authorizing the B & P Bridge Co., its successors and assigns, to construct, maintain, and operate a bridge across the Rio Grande River at or near Weslaco, Tex.;

H. R. 11583. An act granting the consent of Congress to the State Highway Commission of Arkansas to construct, maintain, and operate a bridge across the White River at or near Cotter, Ark.;

H. R. 11625. An act granting the consent of Congress to the State of Montana, Valley County, Mont., and Garfield County, Mont., or to any or either of them, jointly or severally, to construct, maintain, and operate a bridge across the Missouri River at or near Glasgow, Mont.; and

H. J. Res. 152. Joint resolution authorizing and requesting the President to extend invitations to foreign governments to be represented by delegates at the International Congress of Entomology to be held in the United States in 1928.

On May 2, 1928:

H. R. 11478. An act to amend an act to allot lands to children on the Crow Reservation, Mont.;

H. R. 13331. An act to authorize the President to present the distinguished-flying cross to Col. Francesco de Pinedo, Dieudonne Costes, Joseph LeBrix, Ehrenfried Gunther von Huenefeld, James C. FitzMaurice, and Hermann Koehl; and

H. J. Res. 239. Joint resolution authorizing the erection in the District of Columbia of a monument in memory of Peter Muhlenberg.

On May 3, 1928:

H. R. 2654. An act for the relief of Anton Anderson;

H. R. 6862. An act authorizing and directing the Secretary of the Interior to investigate, hear, and determine the claims of individual members of the Sioux Tribe of Indians against tribal funds or against the United States;

H. R. 8487. An act to adjudicate the claims of homestead settlers on the drained Mud Lake bottom, in the State of Minnesota;

H. R. 9047. An act to authorize appropriations for the construction of roads at the Presidio of San Francisco, Calif.;

H. R. 9569. An act authorizing the payment of an indemnity to the British Government on account of the death of Reginald Ethelbert Myrie, alleged to have been killed in the Panama Canal Zone on February 5, 1921, by a United States Army motor truck;

H. R. 12179. An act to provide for the reimbursement of the Government of Great Britain on account of certain sums expended by the British chaplain in Moscow, the Rev. F. North, for the relief of American nationals in Russia in 1920;

H. R. 11764. An act conferring jurisdiction upon the Court of Claims of the United States or the district courts of the United States to hear, adjudicate, and enter judgment on the claim of A. Roy Knabenshue against the United States for the use or manufacture of an invention of A. Roy Knabenshue, covered by Letters Patent No. 858875, issued by the Patent Office of the United States under date of July 2, 1907;

H. J. Res. 145. Joint resolution to provide for the payment of an indemnity to the Chinese Government for the death of Chang Lin and Tong Huan Yah, alleged to have been killed by members of the armed forces of the United States;

H. J. Res. 146. Joint resolution to provide for the payment of an indemnity to the Dominican Republic for the death of Juan Soriano, who was killed by the landing of an airplane belonging to the United States Marine Corps;

H. J. Res. 147. Joint resolution for the relief of the estate of the late Max D. Kirjassoff;

H. J. Res. 148. Joint resolution to provide for the payment of an indemnity to the British Government to compensate the dependents of Edwin Tucker, a British subject, alleged to have been killed by a United States Army ambulance in Colon, Panama;

H. J. Res. 149. Joint resolution to authorize an appropriation for the compensation of William Wiseman;

H. J. Res. 150. Joint resolution to provide for the payment of an indemnity to the Government of the Netherlands for compensation for personal injuries sustained by two Netherlands subjects, Arend Kamp and Francis Gort, while the U. S. S. *Canibas* was loading on May 1, 1919, at Rotterdam;

H. J. Res. 151. Joint resolution to provide for payment of the claim of the Government of China for compensation of Sun Jui-chin for injuries resulting from an assault on him by a private in the United States Marine Corps;

H. J. Res. 230. Joint resolution to provide for the membership of the United States in the American International Institute for the Protection of Childhood; and

H. J. Res. 262. Joint resolution requesting the President to extend to the Republics of America an invitation to attend a conference of conciliation and arbitration to be held at Washington during 1928 or 1929.

On May 4, 1928:

H. R. 12320. An act to amend the longshoremen's and harbor workers' compensation act.

#### AMERICAN MERCHANT MARINE

The committee resumed its session.

Mr. DAVIS. Mr. Chairman, I yield 15 minutes to the gentleman from North Carolina [Mr. ABERNETHY].

The CHAIRMAN. The gentleman from North Carolina is recognized for 15 minutes.

Mr. ABERNETHY. Mr. Chairman and members of the committee, before proceeding I want to thank the able chairman of



the Committee on the Merchant Marine and Fisheries for the admirable manner in which he has handled the matter before the committee and the amiable spirit of compromise and accommodation which he has observed throughout the progress of the hearings and in the consideration of the bill. I also want to thank the ranking member on the minority side of the committee, the gentleman from Tennessee [Mr. DAVIS], for his attitude, and also the other members of the committee.

I listened with a great deal of interest to the address by the distinguished gentleman from Indiana [Mr. Wood], and I was glad to hear him say that while he had certain amendments which he proposed to offer to this bill, yet he thought the bill was a great constructive measure and he would support it, regardless of whether his amendments were adopted or not.

This bill which has been brought out here is a composite bill. It did not go as far as any individual member of the committee would like it to go, but there has been a unanimous approval of all the items of the bill, and we find it one of the most constructive pieces of legislation ever presented to the Congress of the United States, coming in here without one scintilla of opposition from any member of the committee.

I believe, ladies and gentlemen of the House, that if this bill becomes a law we shall have an adequate merchant marine in the future for America, and it will be the most outstanding accomplishment that has ever been put through Congress. I say that advisedly. I do not want to raise any controversy here this afternoon, when everything is running on smoothly. It is not desirable that we should raise any controversy under such circumstances, and I do not propose to do that.

Mr. O'CONNOR of New York. Mr. Chairman, will the gentleman yield?

Mr. ABERNETHY. Yes.

Mr. O'CONNOR of New York. Is not that always regarded as somewhat suspicious?

Mr. ABERNETHY. Not in this instance, because the personnel of the committee is such that it would obviate that suspicion.

I have heard in the running debate here a great many questions asked as to what was the trouble with American shipping. I have listened to the hearings on this matter and have attended the hearings in most instances, and have heard various witnesses representing the shipping interests, and the farming interests, and the American Federation of Labor, and the United States Chamber of Commerce, and the syndicates representing the insurance interests of the country engaged in marine insurance; and other business interests generally present their views on this matter; and when we went into the consideration of the bill we had the Jones bill from the Senate and the White bill from the House; and we had the Wood bill from the House and we had the Wainwright bill. But now we have taken all those bills and brought in a composite bill which we claim represents every interest of the country. It is a very unusual thing that we should have the entire and unanimous approval of every member of the committee, and we are assured that this bill will become a law, because we feel certain that when it goes to the other body that body will approve it and the President will sign it.

Mr. COLE of Iowa. Mr. Chairman, will the gentleman yield?

Mr. ABERNETHY. Yes.

Mr. COLE of Iowa. A moment ago the gentleman asked what is the matter with the American shipping. Is it not because of the high cost of building the ships, in the first instance, and then the high cost of operating the ships?

If you want to put American shipping on the map, will it not be necessary for some McNary-Haugen contrivance to equalize the cost of operating ships under the American flag and operating them under other flags; and if we want American shipping to be successful, will it not be necessary for us to go in and pay the difference in the costs of operation?

Mr. ABERNETHY. I want to say in answer to the gentleman that there is no equalization fee in this bill, and I am glad there is not, because that seems to be a very much controverted question in the country at the present time. But if the gentleman wants to know from me what I think the trouble is with American shipping, it is that there is too much British domination of our shipping in the country. That is what is the trouble. I did not want to say that, but it is the fact. If you want to know what I think about it, I think America must wake up to the fact that America must run its own ships, and it must operate them under the American flag and not have them under the influence of any foreign nation. That, I think, will solve the problem.

Mr. COLE of Iowa. Will the gentleman yield for one more question?

Mr. ABERNETHY. I will be glad to yield.

Mr. COLE of Iowa. In order to do that, will it not be necessary for us to do something along the line I have suggested? I used the phrase "McNary-Haugen" only as an illustration. But will it not be necessary for us, I repeat, if we are going to maintain the American standard of wages on the ocean, as we should do, and to compete with those who are satisfied with lower standards, to equalize those wages in some way?

Mr. ABERNETHY. I will answer the gentleman by saying that if he will read this bill he will find this language in Title I.

The policy and the primary purpose declared in section 1 of the merchant marine act, 1920, are hereby confirmed.

Then, if he will read section 805, he will find this language:

The policy and the primary purpose declared in section 7 of the merchant marine act, 1920, are hereby reaffirmed.

Now, if he will read the act of 1920, he will find that the Shipping Board, if private operators will not come in and maintain a merchant marine, that the Government itself, with the aid of Congress, can maintain it. That is what we have put in here as the primary object of this bill, namely, to encourage private operation; but if we can not get private operation by the loan fund and by the other provisions of the bill then we authorize the Shipping Board to operate the trade routes, and then we say that each and every port of the country shall be open and that American ships shall be run from these ports. Then we give a liberal loan fund and we give the ocean-mail contracts which, I think, more than equalize the situation.

Mr. COLE of Iowa. In other words, however you may conceal it, you will have to come down to the fact that if you want an American merchant marine the American people in some manner must pay the difference in the cost of operating ships under the American flag and under foreign flags.

Mr. ABERNETHY. There is nothing in here about a subsidy, and if there were our side of the House would not support it and we are supporting it unanimously.

Mr. COLE of Iowa. Unless you provide the money you will not get any results.

Mr. ABERNETHY. I do not think the gentleman should put the McNary-Haugen principle into this bill.

Mr. O'CONNOR of New York. Will the gentleman yield?

Mr. ABERNETHY. Yes.

Mr. O'CONNOR of New York. The gentleman from North Carolina does not understand what the gentleman on the other side is trying to suggest. The gentleman is thinking in the terms of the protective, subsidized tariff. That is what he wants to put in the bill and not the McNary-Haugen proposition.

Mr. COLE of Iowa. That is quite correct.

Mr. ABERNETHY. I think if the gentleman will read this bill carefully he will find it is so worded that that will not be necessary. You take the ocean mail contracts. Mr. Glover, Second Assistant Postmaster General—and I want to commend him publicly for the splendid manner in which he presented this matter to our committee—told us that if we would give him the ships, and ships of sufficient speed, it would be the policy of the Post Office Department to carry all the mails in American ships; that if we did that we would not have any loss but would have a profit. That is no subsidy. The giving of ocean mail contracts has been the law, which has been upon the statute books for some time, and all the Post Office Department wants is ships that can compete.

In other words, gentlemen, this is one bill on which Republicans, Democrats, Progressives, and all interests can get together, and I say it is largely due to the management of the gentleman from Maine and the gentleman from Tennessee. [Applause.] When you get those two contending factions together, the proposition must be all right. I want to say for the gentleman from Tennessee [Mr. DAVIS] that he lives in the interior. He is not interested in any port; but he comes in here and gives his unqualified approval of this bill. The gentleman from Oklahoma [Mr. McKEOWN] and other gentlemen from the great interior give their unqualified approval of this bill.

Mr. COLE of Iowa. Will the gentleman yield for an observation?

Mr. ABERNETHY. Yes.

Mr. COLE of Iowa. You may think we live in the interior, but we are going to bring ships into that interior. We are going to bring them up the St. Lawrence and up the Mississippi. We are interested in ships just as much as you are who live on the coast.

Mr. ABERNETHY. And am I not helping you every day when I vote for appropriations for waterways and when I

went the whole way yesterday afternoon and voted for the McNary-Haugen bill in aid of the farmer?

Mr. COLE of Iowa. You cotton men got enough out of that bill to make you vote for it.

Mr. LOZIER. Will the gentleman yield?

Mr. ABERNETHY. I will be pleased to yield.

Mr. LOZIER. In England practically all the export tonnage is carried in English bottoms, the English railroads bringing that tonnage to the sea and the English exporters see that it is exported in English bottoms. In the United States the great bulk of our tonnage originates in the interior of the country.

Mr. ABERNETHY. That is true.

Mr. LOZIER. It is carried to tidewater by American railroads, but those American railroads and the American exporters in an overwhelming preponderance of cases have entered into contracts with owners of British ships by which this American tonnage, after being carried to tidewater by American railroads, is turned over to the British ships and carried to the world markets in British bottoms. I have called attention to this situation every time measures affecting shipping have been before the Congress, and I would like to have the gentleman's reaction, and I would like to ask him whether or not a method can be devised by which American exporters and American railroads will be induced and persuaded to turn over this tonnage, which originates in the interior, to American ships and have it carried abroad in American bottoms rather than turn it over to British ships. Can the gentleman suggest a remedy for that situation?

Mr. MANSFIELD. Will the gentleman yield right there?

Mr. ABERNETHY. Certainly.

Mr. MANSFIELD. I want to add a little to the gentleman's question, if you please. Will the gentleman answer, furthermore, why it is that the members of the American Bar Association, when they travel overseas, travel in English ships?

Mr. ABERNETHY. I can not speak for the attitude of the American Bar Association, but in answering further the gentleman from Missouri—

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

Mr. DAVIS. Mr. Chairman, I yield the gentleman three minutes.

Mr. ABERNETHY. I want to say to the gentleman from Missouri that the question he puts to me is very pertinent and very proper, and needs an affirmative answer. If I read properly the attempt of this committee as expressed in this bill, and also as I know from the personnel of the committee, it is the intention of the Committee on the Merchant Marine and Fisheries that if you pass this legislation and it is not sufficient to bring about the situation we desire, we will bring in other legislation. I am sure this statement is backed up by the chairman of the committee, because if there is any one man here who wants to put this great commerce of ours, which is bulging out from over the country, in American bottoms, it is the chairman of this great committee. He has done as much to correct the situation as any man here because he represents the majority side of the House, and the gentleman from Tennessee and the gentleman from Virginia and the gentleman from Texas and the gentleman from Oklahoma and the entire committee are a unit on this proposition.

The gentleman from Missouri [Mr. LOZIER] has hit the nail on the head, and we might as well notify the business interests of this country that if they are to expect the cooperation of Congress and the sympathy of Congress, that when they ship goods abroad and get goods from abroad they must use American bottoms because this is the only way we can build up an adequate merchant marine in this country. And if additional legislation is needed to bring this about, Congress will act promptly.

We believe this is the most constructive piece of legislation that has ever been reported to the Congress.

Mr. LOZIER. I did not ask the question in a spirit of hostility.

Mr. ABERNETHY. I know that.

Mr. LOZIER. But in a sincere desire to reach a formula by which this abuse in the future can be prevented.

Mr. ABERNETHY. I believe this bill will help, with the assistance of the Shipping Board, and I believe we will have their assistance, because we have made up our minds, and I think the Congress and the country are determined not to scrap the ships we have, but to put them into commission and to build new ships, and to put our shipyards in commission, and open all our ports in the country, and open up our great waterways, and have American ships carry our great commerce, at the same time saying to the balance of the world that as far as we are concerned, we are going to use our own transporta-

tion system. When we do this we will build up a proper merchant marine. [Applause.]

The CHAIRMAN. The time of the gentleman from North Carolina has again expired.

Mr. WHITE of Maine. Mr. Chairman, I yield the gentleman two additional minutes.

Mr. ROMJUE. Will the gentleman yield?

Mr. ABERNETHY. I will be pleased to yield.

Mr. ROMJUE. I presume the committee in the formation of the bill, of course, has been in touch with the Shipping Board?

Mr. ABERNETHY. Yes.

Mr. ROMJUE. I presume you have conferred with them and have listened to their views. Are there any material points which the Shipping Board favors that are not in the bill at the present time.

Mr. ABERNETHY. The only thing which I think the Shipping Board might be criticized for—and I say this with all due respect, because I have great admiration for the present board—is the manner in which they have approached this new idea of having faster ships across the ocean. I think the Shipping Board might as well understand that if we are going to build up the American merchant marine they must respond to the will of Congress, and I believe they will do this.

Mr. ROMJUE. I was about to say to the gentleman that it has always seemed to me that they are very well posted on these matters and their views might well be considered.

Mr. ABERNETHY. We had them before us and they were very helpful in many instances. For instance, Mr. Plummer was very helpful with respect to the insurance feature of the bill.

Mr. ROMJUE. And does the board, generally, approve the terms of the bill?

Mr. ABERNETHY. Absolutely, as I understand it. [Applause.]

Mr. WHITE of Maine. Mr. Chairman, I yield 10 minutes to the gentleman from West Virginia [Mr. BOWMAN].

Mr. BOWMAN. Mr. Chairman, the remarkable rise of American ships and sailors to the commercial supremacy of the seas is an unparalleled story in the history of the maritime world. It is a romance of the courageous seagoing men, who with pike and cannonade won, established, and defended the freedom of the seas. With unreliable charts and crude instruments of navigation, America held this most enviable position of commercial supremacy for almost two centuries against the incessant plague of French, Spanish, Dutch, and English sea-roving privateers, and the swarms of marauding freebooters and pirates sailing under the black flag. No more thrilling epics of history have ever been written than those recording the heroic deeds of American pioneers upon the uncharted seas. They brought renown to America and commanded respect for her flag in every known port of the world.

The ascendancy of America's commerce upon the seas was no less spectacular than was her decline. Shortly after the Civil War, America forsook her established supremacy and turned her steps from the shores to the inland to seek a new destiny. She ceased to concern herself with the sea. The ingenuity and industry of her people were turned to an inland empire of untold national resources. They gave no thought to this epochal change. "Winning the West" brought the greatest development in railroad building, manufacturing, and farming that the world has ever experienced, but the commerce of the seas lost its virility and importance in America. The American fleet, whose sails once flecked every sea in every clime, vanished, and only the brave memories of a former glory remain as a heritage to the greatest nation in the world in this hour of commercial need.

The first vessel built within the limits of the United States for commercial purposes was a small seagoing vessel of 30 tons called the *Virginia*, which was constructed at the mouth of the Kennebec River, Me., in 1607. It is quite an interesting coincidence that the congressional district of Maine in which the mouth of this river is located is now represented in the House of Representatives of the United States by Hon. WALLACE WHITE, chairman of the Committee on the Merchant Marine and Fisheries [applause], who, with the gentleman from Tennessee [Mr. DAVIS], is responsible for pending legislation.

The successful venture of this first little sailing craft to the fishing banks of Newfoundland not only established the fishing industry in the New England coast, whose climate was unsuited to agriculture, but laid the foundation and keel for the shipping industry of this country and foreshadowed the creation of a merchant marine that would claim the supremacy of the seas. The business of building ships was stimulated and developed, until the mouth of every river and bay on the Atlantic coast from Nova Scotia to Long Island Sound had keel blocks sloping to the tide. It might be interesting to note that the construction of each vessel was a community enterprise. The



blacksmith, the carpenter, the calker, the rigger, the material man took their pay in shares. Each voyage of the ship directly concerned a community.

Before the close of the seventeenth century more than 1,000 New England ships were sailing upon the trade routes of the Atlantic. England's peculiar and sovereign rights to the seas were threatened. In 1668, Sir Josiah Child, British merchant and economist, declared that in his opinion nothing was more prejudicial and in many respects more dangerous to the mother kingdom than the increase of shipping in her colonies, plantations, and provinces. Eventually the English Parliament forbade the Colonies to export fish to foreign markets. This unjust law to curb the growing trade of the Colonies affected more than 6,000 able-bodied seafaring men and spread ruin and distress among the New England ports.

This was only an incident in the evolution of a new nation. Denied the normal ebb and flow of trade and commerce, the sturdy colonial fishermen and seamen became privateers upon the high seas. This was the only means of retaliation; but fate decreed it. It taught them how to defend the honor and integrity of the Stars and Stripes upon the sea as well as upon the land. It trained them to meet the emergencies of a new nation. The effect of this was apparent later during the Revolutionary War, when 174 colonial merchant ships, armed with 2,000 short-range guns, captured 10,000 British seamen and took as prizes 733 merchant vessels. This victory was more serious to the success of England's war against the Colonies than the capture of the Hessian troops by the land forces commanded by Washington. Actual distress in England resulted from the daring and heroism of our sailors upon the sea.

It was our brave sailors who upheld the dignity and commanded the respect of our Nation in its early days. In 1799 they compelled France, who was seizing our merchantmen in the West Indies, to make a new treaty of peace. They drove from the trade routes of the seas the pirates of the Barbary States of northern Africa. In 1812 they again defied England, who was seizing American citizens and American merchantships, and compelled a treaty that opened forever the highways of the sea to the commerce of the United States and gave to us supremacy in the world trade; to have, but not to hold. America was destined to relinquish voluntarily her control of the commerce upon the seas.

Between the years 1795 and 1810 the United States carried 90 per cent of the world's ocean commerce in American-flag ships. During the period from 1821 to 1860 American vessels carried import and export freight valued at \$12,378,999,144, or 77.3 per cent of the world's commerce.

The period from 1860 to 1865 marks the rapid decline of our sea trade. In 1861 American vessels carried imports valued at \$201,600,000, compared to \$134,000,000 by other vessels. Our export trade amounted to \$179,000,000, while foreign trade in exports amounted to \$69,000,000. Four years later our import trade had fallen to \$74,000,000, while foreign trade leaped to \$174,000,000, and our export trade had fallen to \$93,000,000, while foreign export trade jumped to \$263,000,000. The average percentage of all imports and exports carried by American vessels during this period was 41.2 per cent. This condition was due primarily to the internal strife between the North and the South during the Civil War, which made American commerce on the seas extremely hazardous and dangerous.

From 1866 to 1913 foreign vessels carried five times the freight value of our exports and eight times the freight value of our imports as were carried by vessels under the American flag. The percentage of all exports and imports carried by American vessels for this period was 14.6 per cent.

In 1914 the value of our import and export freight was \$3,800,000,000 and American merchant ships carried only 9.7 per cent. The value of American freight for this single year amounted to one-fourth of the total freight for the period between 1821 and 1860, and our percentage in carrying and transporting our freight dropped from 77.3 per cent to 9.7 per cent. During the World War our vessels carried 42.7 per cent of our import and export freight value; and in 1927, with a total of freight imports and exports valued at \$8,000,000,000—or two-thirds of the total freight value carried from 1821 to 1860—American vessels carried only 34.1 per cent. The freight bills for our export and import cargoes amounted to approximately \$730,000,000, of which sum American vessels received \$230,000,000 and foreign vessels received \$500,000,000.

A detailed analysis of our overseas trade, which does not include Canada and countries bordering on the Gulf of Mexico, the Caribbean Sea, the West Indies, Central American States, and the north coast of South America, shows that American vessels carry less than 30 per cent of our import cargo tonnage and less than 19 per cent of our export tonnage. In other words, our vessels carry only 30 per cent of what we buy from foreign

countries and the vessels of foreign countries carry more than 81 per cent of what foreign countries purchase from us.

To enable us to comprehend the reasons for the ascendancy and the decline of our merchant marine, it is well for us to have in mind that the speed of our vessels was the dominant factor. Our supremacy was based upon speed. America had the most graceful and speediest vessels of the world. Only when foreign ships excelled our speed upon the seas did we lose supremacy in trade.

Between 1849 and 1851 three notable events transpired that stimulated our trade upon the seas and developed our vessels into winged crafts of speed. First, the discovery of gold in California; second, the repeal of the British navigation laws which had given England a monopoly of trade with British East Indies; and third, the discovery of gold in Australia. These events created the wildest and most extravagant demands for the transportation of passengers and freight the world has ever known in times of peace. Speed was the ruling passion of commerce upon the seas. Competition among the nations of the world was keen and every national resource was developed in the bitter rivalry for trade. In this struggle for the trade of the world America won. From 1850 to 1854 she launched 160 clippers, among which was the historic *Flying Cloud*, which outdistanced and outclassed the fastest ship of any other nation. America had evolved a ship and had produced a crew which, taken together, were able to give more ton-miles for a dollar than any other similar unit of foreign nations. This was due to speed.

During this period our ships invaded the ports of East Indies, and because of their reputation for speed received freightage at 6 pounds per ton, while English ships rode at anchor or were glad to accept freight at 3 pounds per ton. England was dismayed at this competition of speed, and it was freely admitted that the tea trade in England had passed from English ships to American clippers. The London Times in an editorial sounded the warning in the following words:

We must run a race with our gigantic and unshackled rival—there will always be an abundant supply of vessels good enough and fast enough for short voyages; but we want fast vessels for long voyages, which otherwise will fall into American hands.

The warning came too late. America was supreme upon the seas.

The screw propeller sealed the doom of American clippers. This invention had aroused the interest of two continents. America rejected it; but England exploited its possibilities.

In 1839 Ericsson, the inventor of the *Monitor* during the Civil War, came to this country and built a screw steamship named the *Princeton* for our Navy. This was the first ship of its character in operation. The utility of the screw propeller necessarily involved the substitution of iron for the hull, because wooden hulls could not stand the vibration. America had not learned her possibilities in the iron industry, and her commercial faith was bound in the success of her wooden-hull clippers and paddle-wheel steamers.

England, on the other hand, began the immediate construction of screw-propelled vessels with iron hulls. This became a great industry in English ports. Again speed determined the commercial supremacy of the sea. England regained the trade routes because of the regularity and speed of her iron ships propelled by screws. The screw propeller added greatly to the speed of vessels and opened a new era of transportation.

In 1857 there were 51 vessels carrying the trade between the American ports on the Atlantic and Europe. Of these, 17 were paddle-wheel steamers and sailing vessels and 34 were steamers with iron hulls and screw propellers. The last-named ships were always preferred by shippers at a higher freight rate because of their speed.

In 1860 nearly all of our mail, freight, and passengers were carried by English vessels, and not a single ship was being built in our shipyards, while 16,000 tons of new iron and screw-propelled steamers were being built in England for American trade.

It remained for the Civil War to sweep the last vestige of our commercial supremacy from the seas. Confederate privateers scoured the seas and while our loss in vessels was negligible, the possibility of capture and confiscation deprived American ships of the opportunity to obtain cargoes of freight. American owners of American ships transferred their vessels to foreign flags for safety and protection. American shipyards were idle. The currents of commerce were changed. England took advantage of every opportunity, as America had done with England in the troubled days of the war with Napoleon. Trade naturally gravitated from the nation that had survived and triumphed over the greater calamities of the Revolution, embargoes of European countries, and the War of 1812. America

gradually relinquished her national renown and prestige upon the seas until by 1900 no American-flag ship sailed from our shores to Russia, Sweden, Norway, Denmark, Netherlands, Italy, Hungary, Greece, or Turkey. During that same year only two small vessels of American registry sailed for France, and these ships returned to our shores in ballast. The trade of our country was carried by vessels under foreign flags, and in 1910 we carried only 8 per cent of the world's commerce.

The failure to maintain our trade upon the seas has brought many bitter experiences to our Nation. In 1898 we had no merchant ships to carry supplies and reinforcements to our troops in Cuba. Chartered foreign vessels were responsible for the sustenance of our Army during the war with Spain; and at the close of the war chartered merchant vessels of Spain brought our men back from Cuba and the Philippines. In 1908, when our naval fleet sailed around the world, we were compelled to use foreign-flag merchant vessels to carry the fuel and supplies. We had only eight auxiliary vessels, and were forced to charter 50 vessels sailing foreign flags. This was, perhaps, satisfactory in times of peace, but we should not anticipate nor expect the use of foreign vessels in the time of war. In the light of these historical facts our national pride is neither heightened nor broadened.

Then came the sad experiences of the World War. We became most extravagant and wasteful in the intense and hectic fabrication of a merchant fleet. In our feverish haste we were compelled to build great shipyards, dry docks, piers, terminals, and warehouses. We were forced to construct and launch thousands of ships and vessels in order to relieve a paralyzed export trade. Because of the lack of an adequate merchant marine, terminal facilities were congested and the main lines of our great railroads were blocked with loaded cars of fuel and food consigned to the war-torn nations of the world. Every Atlantic port had to declare embargoes on incoming materials for foreign shipments. It is true we performed a miracle in ships and foreign transportation. I do not discredit the miracle, because it demonstrates what the United States could do in times of emergency. I am proud of my country in the knowledge that it could rise and respond so readily to such handicaps. I do deplore and condemn, however, our deliberate failure to maintain an adequate merchant marine, which failure necessitated this most extravagant miracle of national power and national resourcefulness. The miracle was justified, but the causes were inexcusable.

This experience has cost the American Government more than \$3,570,000,000, as evidenced by actual congressional appropriations for the Shipping Board and the Emergency Fleet Corporation, including the estimate for 1929. It is estimated that this amount would be more than doubled if there were added to this sum the amount paid for exorbitant and excessive freight rates on more than 70 per cent of our export and import trade which was carried by foreign ships during the war and the cost of transporting our men to the war front. According to the records of the War Department we were not able to transport our soldiers across the Atlantic. They show the glaring facts that 911,000 soldiers were carried by United States transports, 41,500 by other United States ships, 1,007,000 by British ships, and 121,000 by other foreign ships. In other words, America transported only 45 per cent of her soldiers and less than 30 per cent of her export and import trade during the World War.

What would have been our measure of success in the World War had England, with her wide commercial sweep of the seas, instead of Germany, been at war with us? What would have been the result if Germany had had control of the seas? Had this condition existed, imagination can not picture the penalties of defeat because of our unpreparedness. In this war America was lucky. The freedom of the seas was secured by her allies. The next emergency may find us most unfortunate in being unable to make speedy preparations. We can not always rely upon luck.

A little more than 10 years ago we emerged from the World War with every element of sea power. We had shipyards, docks, piers, naval bases, a Navy, and every incentive for an adequate merchant marine. Our world trade in exports and imports amounted to almost \$10,000,000,000 annually, but our many shipyards were idle. Shipbuilding was apparently a lost art. From 1922 to 1927 the United States built only 18 merchant vessels, with a tonnage of less than 200,000 tons, while Great Britain, Germany, France, Italy, and Japan during the same period launched 1,340 ships, with a gross tonnage of almost 8,000,000 tons. To-day we discover that we have a merchant marine problem instead of a merchant marine.

The National Council of American Shipbuilders is an authority for the following tabulated statement taken from Lloyd's Register of Shipping, showing the approximate gross tonnage of vessels under construction in the various countries of the

world during the last quarter of 1927 and the first quarter of 1928:

	Mar. 31, 1928	Dec. 31, 1927
Great Britain and Ireland.....	1,440,000	1,579,000
Germany.....	443,000	472,000
Italy.....	171,000	183,000
Holland.....	162,000	174,000
France.....	103,000	115,000
Denmark.....	103,000	97,000
Russia.....	94,000	87,000
Japan.....	91,000	68,000
Sweden.....	91,000	100,000
United States.....	56,000	97,000

The above figures show that at the end of 1927 America was building only 3¼ per cent of the world tonnage, and that during the first quarter in 1928 we were constructing only 2 per cent of the combined tonnage of the world. The report is also responsible for the statement that the tonnage under construction in the United States at the end of 1927 was the lowest it had been for a period of 35 years; and at the end of the first quarter of 1928 the tonnage under construction was even lower, being 58 per cent of what it had been at the end of 1927.

The above analysis not only shows the deplorable condition of our shipbuilding industry, but also discloses the fact that very few merchant marines are being constructed to replace or supplement our vessels now operating in the foreign trade to meet the keen competition of modern high-speed vessels recently constructed and now being constructed by foreign nations. These startling facts and truths present a sad commentary on the progress and spirit of the richest and most prosperous nation in the world.

The term sea power is not confined to a large navy alone, but it includes a merchant marine to support it. Every modern naval fleet must have an auxiliary fleet of supply ships, ammunition ships, hospital ships, mine layers, mine sweepers, destroyers, tenders, and so forth, and these auxiliary ships should be merchant ships commandeered by the Government merchant vessels seeking new markets for our products in time of peace; but auxiliary vessels to the Navy in times of war. This would create a well-balanced navy and permit our ships to carry the American flag into all parts of the world. A navy without a merchant marine is not effective. In the establishment of an adequate merchant marine no element of national defense should be omitted nor overlooked. An efficient, adequate merchant marine is a national obligation we owe to the Navy.

If this be true, it is apparent that the vessels of our merchant marine should be vessels of great speed. The history of merchant marines shows conclusively that speed is a dominant factor in the development of an adequate merchant marine. Trade has always followed the vessels of greatest speed, and if America should contend for the supremacy of the seas her vessels must necessarily be vessels of equal or greater speed than foreign merchant vessels. A vessel without speed is a national liability, either in the times of peace or in the times of war.

As a product of the World War the United States Shipping Board has under its control more than 500 merchant ships riding at anchor in the Atlantic ports, which were never intended for commercial use. These ships deter private capital and industry. Foreign nations have no fear of them in trade competition. Most of these vessels are more than 10 years old, while the average life of a steamer is 20 years. Their speed averages a little more than 10 knots per hour. A few of these vessels can be reconditioned, remodeled, and repaired by the installation of additional machinery, and their speed increased to 13 knots per hour. When you increase the speed of these vessels 3 knots per hour, what do you have? Experts say we will not even have a nucleus of an adequate merchant marine. They can not contend with foreign vessels of greater speed. To even believe or hope they will be successful contenders for trade is arbitrarily to defy the experiences and historical traditions of the merchant marines throughout all ages.

Only our fastest vessels, such as the *Leviathan*, the *Northern Pacific*, and *Great Northern*, were permitted to sail the Atlantic unescorted during the World War, because their high speed was considered sufficient protection against the enemy. Speed was protection. Speed was safety. Think of our emergency war fleet, with an average speed of 13 knots per hour, remodeled and reconditioned as supply ships for our airplane carrier *Saratoga*, with a speed of 33 knots per hour. America can not always gamble with fate. We must not continue to trust to luck. In my mind, any legislation that tends to recognize our obsolete war vessels as a foundation or nucleus for an adequate mer-



chant marine will be a serious blunder which will cost our Government untold millions without reaching the object of legislation.

There is just one place for these war-built ships, and that is at the bottom of the sea and not on the surface of the sea. In other words, these obsolete vessels should be scrapped and the keel of every new vessel constructed should embody and contemplate all the latest improvements for speed, regularity, and durability. America's merchant marine fleet should be the speediest, best equipped, and the most complete fleet upon the seas.

There is no patriotism in the dollar. Operating a merchant marine is a business proposition. It should pay a fair return on the capital invested and provide the necessary depreciation for replacements. In this manner only can a merchant marine be maintained. It must be profitable before it can be successful. Capital seeks the avenue of trade which yields a satisfactory return. The merchant marine must be made profitable before attracting the attention of capital. This is the crux of our merchant marine problem.

The greatest disadvantages to the establishment and maintenance of an adequate merchant marine are: First, the high cost in the construction of vessels in the United States, which exceeds by 40 per cent the cost of vessels constructed in foreign countries, and, second, the excess in cost of manning and operating the ships at sea, which amounts to almost 20 per cent more than the cost of operating foreign vessels. These disadvantages and hindrances to a merchant marine are due primarily to the high wages paid the American workman and the American seaman, respectively. These peculiar disadvantages must not be eliminated; but they must be overcome. The success of any industry should not be established and maintained at the sacrifice and cost of American labor. Methods must be found to reduce and overcome these disabilities of ship construction and ship operation without destroying the high standard of living of American wage earners.

The White amendment, which was considered and reported out unanimously by the Committee on the Merchant Marine and Fisheries of the House of Representatives, aims to correct the defects of our merchant marine problem. To my mind it is the most important step in legislation since the close of the Civil War. It not only recognizes the principle of private ownership and operation of the merchant marine, but seeks to eliminate the many obstacles to our shipping interests. It eventually takes the Government out of the shipping industry, and while it does not guarantee a fair return upon capital invested, it secures for American capital an equal chance in competition with foreign capital for the commerce of the world.

The said White amendments have four important features and provisions which are absolutely necessary to the establishment and maintenance of an adequate merchant marine.

#### CONSTRUCTION LOAN FUND

The idea of loans by the Government is not new. In the marked competition for commerce upon the seas many European nations have resorted to legislation providing for construction loans, navigation loans, mail contracts, naval subventions, and various other forms of subsidies. These laws have given to foreign nations a distinct advantage over the United States in competition for the world's trade. America, with her high cost of constructing and operating ships, must overcome in some manner the differential in favor of our foreign competitors.

In 1907 the Government of Belgium subscribed \$1,000,000 to the stock of three Belgian steamship companies, and in 1916 guaranteed the Lloyd Royal Belge Steamship Co. the sum of \$19,300,000. We can understand the financial incentive that makes Belgium a serious competitor of the United States.

Germany in 1925 placed \$12,000,000 at the disposal of three steamship companies as loans. In 1924 France guaranteed a loan of \$10,000,000 for 25 years to her shipping interests. The shipping interests of Holland are benefited by a direct subsidy. In 1921 that nation began loaning and advancing \$400,000 annually to the Holland-South Africa Line for five years without interest, unless the trade justified a return sufficient for interest.

From 1889 to 1910 Japan paid in construction and operation bounties to her shipping interests the sum of \$7,386,000, and is now proposing a \$75,000,000 loan fund to be used in the construction and operation of her merchant marine.

In 1902 the admiralty of Great Britain loaned the Cunard Line for 20 years, at 2½ per cent, all money required to build the 25-knot steamships *Lusitania* and *Mauretania*, and gave them a 20-year naval subvention of \$730,000 per year, to which the post-office department of England added a 25-year mail contract at \$330,000 per year. These contracts more than repaid the loans and all interest.

A construction loan fund was created in the merchant marine act of 1920, which was amended in 1924 and 1927. This act with amendments tended to limit and restrict shipbuilding in the United States. In other words, it did not stimulate this important industry. The basic principle of this legislation was sound, but its provisions and terms offered no advantages to American shipbuilders over the shipbuilders of foreign nations. The Government took no risks and exacted a full measure of obligations for every advantage offered.

The pending bill liberalizes the provisions of the existing law. It eventually creates a revolving fund of \$250,000,000, from which loans may be made upon vessels in sums not exceeding three-fourths of the costs of vessels to be constructed, nor more than three-fourths of the cost of reconditioning, remodeling, improving, or equipping vessels already constructed. These loans may be made for a period of 20 years at a rate of interest determined and fixed by the lowest rate of yield of any Government obligation outstanding at the time the loans are made. The present bill, if enacted into law, will permit the Government to extend favorable credits to the shipping interests of the United States at a rate of interest which in a great measure will offset the high construction costs in American shipyards.

#### MAIL CONTRACTS

The merchant marines of European countries have benefited materially from mail contracts extending over a long period of years. They have recognized the importance of liberal compensation for mail transportation upon the seas. These contracts have stimulated shipbuilding and have guaranteed a large portion of the operating expenses of merchant vessels.

This policy is not new in the United States. Legislation favorable to this policy has been enacted by the United States in 1891, 1917, and 1920, but the inadequacy of the payment and the failure to provide contracts for a substantial period of years made such legislation without force and effect. These acts simply recognized a principle, but gave neither opportunity nor chance to demonstrate the practical utility and operation of the principle.

The bill under consideration authorizes the Postmaster General to enter into long-time contracts with American shipowners for a period not exceeding 10 years for transporting the mails, and the vessels employed in this character of service must be vessels of United States registry during the entire terms of their contracts, and with limited exceptions such vessels shall have been constructed in American shipyards. The provisions of this bill guarantee that American mail to foreign countries will be carried by American ships built in American shipyards and flying the American flag.

The vessels to be employed in transporting mail will be classified according to tonnage and speed into seven classes, and compensation to be paid by the Government to each vessel will be determined by the classification of that vessel. However, in order to meet unusual conditions the Postmaster General is authorized to pay a rate of compensation higher than the maximum rates of this bill to vessels with speed in excess of 24 knots.

The possibilities of utilizing airships and airplanes in the transportation of mail from ship to port, and from port to ship, is recognized, and for this service, which is entirely probable, the Postmaster General is authorized to pay compensation in excess of the maximum rates of the bill.

#### INSURANCE

For many years American shipping interests have been at the mercy of British insurance companies. These companies fix and establish rates, and American shipowners must bargain for hull and cargo insurance. It must be conceded that they have no community of interests with America, and consequently the owners of our merchant vessels are compelled to pay insurance rates and premiums much higher than are justified by the rates for English shipowners. American shipowners are at the mercy of this gigantic insurance trust. The pending bill, however, seeks to liberalize and broaden the insurance feature of the merchant marine act of 1920, and makes the Shipping Board an effective agency in the establishment and maintenance of our merchant marine.

#### MERCHANT MARINE NAVAL RESERVE

The coordination of a merchant marine in our program for national defense depends entirely upon an efficient merchant marine naval reserve. Ships alone are not sufficient. We must have capable and experienced men trained on merchant ships in the times of peace to operate and command the auxiliaries of our sea-fighting unit in the times of war. The maritime nations of Europe have recognized the importance of this principle and for a great number of years many of them have maintained a merchant marine naval reserve.

The act of February 28, 1925, authorized the establishment of a merchant marine naval reserve by the United States; but the provisions of this act fell short of the legislative goal. In all probabilities this was due to the declining interest in our merchant marine. It must be borne in mind that before we can have a merchant marine naval reserve we must first have a merchant marine.

The present bill under consideration provides that in addition to the pay prescribed by existing law for officers and enlisted men of the merchant marine naval reserve when not employed on active duty with the regular Navy, such officers and enlisted men of the merchant marine naval reserve as are employed on merchant vessels of United States registry regularly engaged in foreign trade shall be paid per annum by the Navy Department, under such regulations as the Secretary of the Navy may prescribe, an amount equal to two months' base pay of their corresponding grades, ranks, or ratings in the regular Navy, such payments so made by the Navy to be considered, in all laws or agreements referring to the officers and crew of the merchant marine, as an integral part of the total pay prescribed for such officers and crew in accordance with such laws and agreements. This will reduce the operating expenses of our merchant ships and at the same time will provide a training school for our Naval Reserves under the complete control of the Navy Department. We have become accustomed to estimating the strength of foreign nations at sea by a comparative analysis of battleships, cruisers, and destroyers. This method has goaded and committed us to a competitive naval program for the construction of cruisers. We underestimate the potential sea strength of foreign nations when we understand that the availability of their merchant fleet for war-time use is always a matter of prime consideration and importance. It is reported that the merchant ships now under construction by our competitors in the commerce of the sea are designed for immediate conversion into indispensable and necessary auxiliaries of their naval fleets.

This policy should be America's policy. The day may come when our foreign competitors for trade upon the seas may be our adversaries in war. We can not always choose our allies, and it may be a sad awakening to find our present inadequate merchant marine a defective link in our national defense. The foreign nations of the world have challenged America. We must meet that challenge by establishing and maintaining a merchant marine fleet with ships of unexcelled speed constructed in American shipyards, manned by American seamen, and carrying the American flag. [Applause.]

Mr. DAVIS. Mr. Chairman, I yield 15 minutes to the gentleman from Oklahoma [Mr. McKEOWN].

Mr. McKEOWN. Mr. Chairman and gentlemen of the House, one coming from out in the West where I come from, where few of his constituents have seen a magnificent ship sail the sea, is not expected to make a lengthy speech about the merchant marine. I have to look at the situation from one who is interested in the exportation of the products of my country in the interior of the United States. The great problem to-day in my country is transportation of the farm products to points in the United States and to foreign markets.

The freight rates of this country are so high compared to the prices received for farm products that the farmers of this country and the stock raisers are vitally interested in the question of the American merchant marine, because if the American merchant marine does not occupy a position on the high seas where she can keep control of ocean-going rates, then my people will sustain great losses.

As a schoolboy I always read with great interest the story of the whalers and of the clipper ships from New Bedford. They were always fascinating stories, and one of the most interesting books I ever read was a true account given by a young man, one of the first stenographers in the United States Senate, who on account of a short session found himself out of employment and shipped at New Bedford on a whaling vessel. That story emphasizes the necessity of the Government of the United States seeing that the condition of the crews that served in the merchant marine is made more attractive and should interest itself in the general welfare of our seamen.

We are not like the British Isles, where you have easy and ready access to the sea. A great many of our boys live hundreds of mile from the sea and thousands of our people have never seen the ocean. Our boys, except on the coast, are not drawn to the sea, and I have often wondered why.

I heard a man who was familiar with the situation explain that it is because it is not made attractive any longer, that conditions have not been made such as to make it attractive. Our Congress has enacted laws to make the conditions better, and I am hoping that this legislation will result in the growth of the merchant marine and will keep our flag permanently

on the high seas. We are busy in our country trying to produce things to ship abroad, and it has been for many years in this country that the exportation of cotton brought the balance of trade in favor of the United States. It has been this one great staple of agriculture that has turned the balance of trade in favor of the United States.

One thing we should keep in mind when we criticize the shippers for shipping their goods in foreign ships. Here is the difficulty: You can not by law make a man patriotic; you can not by law say that a citizen of this country shall not ship in foreign ships unless he can ship as cheaply and as profitably in American bottoms.

The shippers in my country ship gasoline abroad and they ship wheat abroad. Here is what they are met with. The foreign buyer says, "I will buy your gasoline f. o. b. on the coast and I will send my own ships and take it away. I will send my own ship and take your wheat." In trading with a man like that you have to accept his proposition if you want his trade. For that reason it is a difficult matter and you can not by law make an American citizen ship his goods under the American flag by the dictation of law; if it costs him more money to ship under the American flag, he is not going to ship under the American flag.

Mr. MANSFIELD. Will the gentleman yield?

Mr. McKEOWN. I will.

Mr. MANSFIELD. Is it not a fact that the larger part of the cotton that goes to England goes in foreign bottoms because the buyer says I will take the cotton but my ships shall carry it?

Mr. McKEOWN. That is the difficulty; when he ships an article to a buyer in a foreign country, in many instances the foreign buyer says, "I want the article delivered at the seaboard. We will send over and get it in our vessels"; but our buyers, on the other hand, are not so careful to say to the foreign exporter, "We will buy your goods on the seacoast over there, and let it come in our ships."

Mr. JACOBSTEIN. Is it the gentleman's understanding that there is anything in the bill to arbitrarily restrict that?

Mr. McKEOWN. Oh, no; there is nothing in this bill. I am talking generally about the proposition and the conditions and effects of legislation generally. The bill before the House has the unanimous indorsement of the committee. We may differ on some of the items in the bill personally, but as a whole the bill has been reported out favorably, and I understand it has the unanimous indorsement of the Shipping Board.

One of the new factors in marine travel is going to be time. The man from New York who transacts business in London or in Liverpool or in Paris will want to go in a hurry. He does not want to lose much time. If we can encourage this quick service, we ought to do so, and why? Because to-day there are foreign nations who are expecting to inaugurate an air service by dirigibles to come across to this country and use those dirigibles for transportation. We are told that these new ships can go across the Atlantic from dock to dock in four days. If a man in New York misses his boat he can take an airplane and catch the ship at sea, or if he is in an extraordinary hurry, before he lands can leave the ship and go ahead by airplane to shore; of course that will keep up the pace that we are all trying to travel.

Mr. SANDLIN. Does not the gentleman really think that the passage of this legislation will create in the minds of the American people an idea that the American merchant marine has a fixed policy? As it is at present they do not know how long these routes will be established, but they will know now that the Government means to stay in the shipping business and have established routes. Does the gentleman not think that it is a great step forward?

Mr. McKEOWN. I agree with the gentleman and thank him for his contribution. Our people are interested, but when a man is busy and trying to make his business profitable he does not take time enough to make a survey, but, as the gentleman says whenever it is known that ships are going to run, that there will be a regular schedule, business men then will take more pains to route their cargoes over those established routes.

There is one other thing that I think is very interesting about this shipping business. This bill does not require the unanimous consent of the Shipping Board to sell a ship. I think the provision in the bill is fairer because it makes five out of seven control. If the judgment of five men is unanimous, then I do not think we ought to deprive the board of the use of its judgment simply because there is a contrary juror on the case. In other words, we ought not to have a hung jury all of the time; we ought to have a majority verdict.

I shall not take up any more time, but I do hope the Members of the House will give this bill their careful consideration and show an interest in shaping it into such a measure as will be



satisfactory to and receive the approval of the American people. [Applause.]

Mr. WHITE of Maine. Mr. Chairman, I yield five minutes to the gentleman from Massachusetts [Mr. MARTIN]. [Applause.]

Mr. DAVIS. Mr. Chairman, I yield the gentleman five minutes.

Mr. MARTIN of Massachusetts. Mr. Chairman, it is not my purpose to discuss the details of the proposed shipping bill. That has been done by the distinguished and able chairman of the committee. But I do want to speak in behalf of what I believe is the most constructive piece of legislation which will appear before the present Congress.

I am in favor of this bill not because it will be of benefit to any one section of our country; not because it will benefit any single industry; but because it will be of real benefit to every section and every industry whether it be farming, mining, or manufacturing.

The great problem of America to-day as indeed it is for all of the great commercial nations of the world, is the finding of a market for the surplus goods which come from the farms, the mines, and the workshops.

It is apparent to all who think the home markets will not take care of all that can be produced. It is estimated the home demand will take care of but 80 per cent of the output. That means we must sell to other nations the balance of the goods produced if we are to have the full measure of prosperity. Foreign trade can be expanded almost indefinitely. It is limited only by the resourcefulness and energy employed. Let me illustrate:

When Capt. Robert Dollar, who is a pioneer in the upbuilding of American foreign trade, started his round-the-world service four years ago there was hardly any trade between California and Singapore, Penang, or Ceylon.

During the four years of giving that part of the world a fortnightly service to the United States it has brought into this country \$29,000,000 of new money. The increase in the then existing trade in Japan, China, and the Philippines amounted to \$54,387,045, most of it new business.

What Dollar has done on the Pacific has been duplicated in South America and other parts of the world where permanent trade routes have been maintained. It is obvious from experience that trade follows the flag.

The people of our country have finally begun to realize that shipping in our overseas trade affects the welfare of the entire Nation, not only their continued prosperity but their security as well.

In the keen competition existing in the world's markets to-day, a country which must rely on competing nations to transport its commerce is hopelessly handicapped. We have been told frequently by theorists and short-sighted economists to allow competing nations to carry our products because they could carry them cheapest. This is the height of false economy and has been repeatedly proven to be the case.

Prior to 1914 we depended upon our competitors to carry over 90 per cent of our commerce in their ships; then the American people were rudely awakened to find that our commerce ceased to flow because of the fact that we relied almost entirely on ships of competitor nations for the transportation of our foreign trade. The irreparable losses to the Nation in depending on foreign-flag ships to move our commerce and in our feverish haste to build ships during abnormal times resulted in fabulous expenditures for which the American people will pay unto the third and fourth generation.

The gigantic losses incurred by the Nation before our entrance into the World War when our products congested and rotted at the seaboard for lack of ships to move it, and then our entrance into the World War when ships became imperative for military needs, culminated in needless expenditures amounting to a sum which would have been sufficient to have permanently and profitably established an adequate merchant marine for the past 150 years and for the next century to come.

It is only natural that the sentiment of the American people has changed from indifference to that of "ship-mindedness." Other maritime nations have long realized the obvious necessity of supporting their national shipping. This is borne out by the various forms of aid, during the last 50 years, extended to them for the sole purpose of supporting and expanding their shipping and thus their trade.

One of the best examples of a nation realizing how indispensable shipping is in the development and expansion of her trade is Germany. Although seriously handicapped financially, Germany has seen fit to retrieve her shipping, with the result that to-day she is again able to resume and build up her trade connections. If it were economically sound to rely upon ships of other nations to carry products of a competing nation, it is

obvious that Germany is too shrewd not to have welcomed this opportunity.

Trading, banking, and transportation complete the cycle of international trade; each is dependent upon the other, and successful competition in the world's markets can only be achieved by the nation which has complete control of this cycle.

Two important transitions have taken place in ocean transportation since pre-war days. First, the change from tramp service to cargo-liner service. Cargo-liner service predominates to-day. This class of shipping is rapidly approaching 80 per cent of the world's ocean transportation.

The second transition is the trend from steam to internal-combustion type of ship propulsion, which now represents more than one-half of the entire world ship production figure.

These transitions clearly emphasize the demand for economical ships and better services. It is, therefore, evident that successful competition in world trade can only be met by providing permanent services with regular and frequent sailings. The rapid turnover of capital demands this service, and the ships, regardless of nationality, which provide this service will get the business.

Since the ending of the World War our competitor nations were quick to recognize the new era in international shipping and during the past six years those nations have built almost 1,300 ships, of 7,000,000 gross tons, suitable for transoceanic service, with the result that the United States has been far outranked by her competitors in both modern passenger and cargo ships. During the same period the United States has built but 14 ships suitable for transoceanic service, totaling less than 200,000 gross tons.

As a result of our shipbuilding inactivity, American shipyards are in a precarious condition and at this time we rank tenth in world shipbuilding, even Russia having passed us. The total gross tonnage building in the United States to-day in all of our shipyards combined amounts to less than the equivalent of one ship the size of the *Leviathan*. Surely this is a most humiliating position for our country to occupy and it is high time that serious consideration be given to the rehabilitation of this industry, which is an indispensable factor in times of a national emergency.

The chief cause underlying the decline of our shipyards is the fact that ships cost considerably more when built in American yards, which is obviously due to our higher labor and material costs as compared with the lower costs of foreign shipyards. Therefore the capital invested in an American-built ship, together with the higher cost of operating American ships in foreign trade, make it an unprofitable venture and offers no incentive for American investors to build ships in American yards to compete with the lower-priced ships of our foreign competitors.

Mr. MANSFIELD. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of Massachusetts. Yes.

Mr. MANSFIELD. The gentleman speaks of many nations getting ahead of us in the shipbuilding business. Is it not a fact that we overbuilt during the war and had more ships than we could use, and is not that a principal reason why we have not been building ships since that time?

Mr. MARTIN of Massachusetts. That is true in a measure, but if we are to continue to do anything in commerce, we must build new ships to handle our traffic at the present time.

Mr. MANSFIELD. That is, a new type of ship?

Mr. MARTIN of Massachusetts. Yes. The United States Shipping Board has endeavored to carry out the provisions contained in the merchant marine act, 1920, for the establishment of services in the overseas trade routes. It has endeavored and is endeavoring to comply with the provisions of the act. However, the modern ships of our competitors make it extremely difficult to operate successfully and the lines which have been sold by the board to private owners experience this difficulty. It would seem, owing to the greatly reduced prices of the ships which the Government has sold, this handicap would be offset. It is found, however, that the ships which are being patronized are the modern types with increased speeds which provide definite and frequent sailings which explains the problem confronting us. If we expect to remain in the shipping business and attain our rightful place among the maritime nations it is highly imperative that a ship-replacement program be started without further delay, not only to revive our shipbuilding industry but to place American shipping on a parity with the modern ships of our competitors.

In the further development and expansion of our foreign trade it is essential to establish and pioneer new services. By the establishment of such services new trade can be developed in many parts of the world. No competing nation which is also seeking new markets will expand our foreign trade for us. This pioneering work is a function which we must obviously

perform ourselves. Experience has shown us that ocean transportation must be in advance of trade.

The water-borne commerce of the United States amounts to \$8,000,000,000. This must continue to grow if we are to remain a prosperous people. And since other nations are equally anxious to expand their foreign trade and in many instances compete with us in like commodities, it becomes essential in the sale of those commodities that we have ships of our own to deliver them.

Therefore in order to perpetuate American shipping we must adopt a plan to insure permanent services to all parts of the world with ships equal to or better than those of our competitors. We must find some means to encourage private capital to invest in American ships. We must recognize the fact that American shipping is handicapped and will continue to be handicapped, due to the higher American living standards, and that this handicap can not be overcome to any appreciable extent by methods adopted in some of our other industries where mass-production methods apply. It must always be remembered that ships are built to order and not manufactured. Likewise the wage scale on American ships will continue to be higher than those of our competitors, also due to our higher living standards. If Americans are to be encouraged to follow the sea, it is only natural that American standards apply.

We can not continue and should not expect such indispensable industries as shipbuilding and shipping to engage in direct competition without some form of protection such as is afforded our other industries. Either directly or indirectly American shipping must be placed on an equality with our other industries which compete in international trade. The service rendered by American shipping is national in scope. It serves all industries engaged in international trade and will serve to stimulate, pioneer, and expand that trade.

The annual sum necessary to accomplish this purpose is less than one-fourth of 1 per cent of the value of our total water-borne foreign commerce. This surely is an insignificant sum to revive, maintain, and perpetuate two of our most vital industries, those of shipbuilding and shipowning.

In the revival of these two indispensable industries the beneficial effect will be felt throughout every one of these United States, as was demonstrated by the reconditioning of the steamship *Leviathan*, to which the products and labor of 46 States directly contributed.

A factor that can not be overlooked is the contribution of merchant ships to the national defense. This is of unusual importance owing to the limitations placed on naval tonnage. The potential sea strength of a nation is not fixed by naval ratios alone, but by the combined strength of naval and merchant tonnage, each serving the other.

The time has surely arrived when we can no longer permit the decline of our sea power to continue without dire results to the Nation, both from a commercial and strategic standpoint. Every effort must be made, partisan differences set aside. This is the crisis; we must declare our commercial independence in the matter of our national shipping and foreign trade and attain our rightful position as a principal world power and a first-class commercial and maritime nation second to none. The bill now before Congress, which was reported unanimously from the committee, with all differences composed, proves as in the past when confronted with a national emergency, the patriotism of the American people as reflected by Congress, rises above the restraining influence of partisan consideration.

The world is awaiting the definite decision as to the future position of the United States upon the seas which this Congress is now about to declare.

Our destiny may be shaped by this decision. I am sure it will be in the interest of greater and more progressive America. [Applause.]

Mr. DAVIS. Mr. Chairman, I yield six minutes to the gentleman from New York [Mr. BLACK]. [Applause.]

Mr. BLACK of New York. Mr. Chairman, as befitting an advancing country of the world, we are taking a reckoning of our power on the sea. That such power is inadequate either for the distribution of our production or for the protection of our basic wealth is fairly evident. Our output is carried in foreign crafts, and our coasts are exposed to enemy attacks. The Nation must think of the sea; the people must contrive a merchant marine and a defensive marine. Public opinion should force the construction of ships of peace and ships of war.

The United States is too resourceful a nation to depend upon other nations for the transportation of its goods to the ports of the world. The Congress has almost as little justification in trusting our commerce to the ships of competing nations as in trusting the defense of our coast line to foreign naval vessels. To translate riches into economic power requires the control over the facilities for the transportation of the riches over the

seas. It is akin to hiding one's light under a bushel to deprive the Nation's merchants of national sea carriers.

That it will cost money to give us a sizeable merchant marine is no objection, for money so spent shall return to the country more than tenfold. We are reaching a turning point in the relative commercial status of this Nation, and we must advance or decline. Our commercial health will depend largely on maritime circulation. We must not be like the wealthy miser who was in danger of death and would not call in the doctor because it would cost him money.

A spur to American shipping activity will do much to help domestic industrial conditions. Our merchants will be able to transport their goods at more reasonable rates than now exist due to the preferences given by foreign shipping to foreign cargoes lying side by side with American cargoes in foreign hulls. Moreover, many of our private shipyards, which once thrived with activity at our principal ports and are now as lifeless as the deserted village, will again hum with all the mighty music of American industrial life. The navy yards of the country will no longer have the competition of the private yards, for work on naval vessels and the Government yards will add to the country's dynamic energy.

Though the country is rich, men are walking the streets for want of work. The restoration of American interest in the merchant marine and the Navy will call many of them back into the ranks of active labor.

America has lately been drifting along without any design. It is time that we plan for our future. In considering that future, America must look to the sea.

Let us learn from Great Britain the story of sea power, but let us not be taught by Great Britain that Britannia alone has the right to unfurl a flag on the peaceful and troubled waters of the world.

The pending bill provides a reliable chart for our proper maritime development.

Give American shipping a chance to show its ingenuity in the age of startling progress. [Applause.]

Mr. DAVIS. Mr. Chairman, I yield 20 minutes to myself.

The CHAIRMAN. The gentleman from Tennessee [Mr. DAVIS] is recognized for 20 minutes. [Applause.]

Mr. DAVIS. Mr. Chairman, this is a very important measure. I suppose it is natural that there is apparently not a great deal of interest when there is but little, if any, controversy. However, this is a problem in which the committee which has reported this bill has been interested ever since the creation of the committee. It is a subject upon which we have held hearings in every Congress of which I have been a Member. There are various phases of the problem. They are presented in somewhat more acute shape at times than at others, but we are all interested in an American merchant marine.

I think that to-day the American public is very much more interested and more vitally concerned in having an American merchant marine than it has been for a long, long time. There was a time when the American-flag ship was preeminent on the sea. As has already been suggested by other speakers, we excelled the world prior to the Civil War. In other words, from 1820 down to about 1860 we had the greatest merchant marine in the world. We were the most successful shipbuilders and ship operators in the world. Our fast "clippers" plied all the seven seas and carried the commerce of this country, ranging all the way from a percentage of 62½ per cent to 92 per cent during that period, and in addition to that these American ships operated extensively in indirect trade; that is, between other nations of the world. The American merchant marine was not only successful but it was profitable, and it was profitable in spite of alleged handicaps that existed then with respect to differentials in wages and otherwise.

As has already been pointed out, however, a decline, an unfortunate decline, came in our shipping; a decline in the percentage of our own commerce which we carried, and a disappearance from the seas of American-flag ships engaged in indirect trade. In 1860 we had by far the largest merchant marine we ever had, and we then had the largest merchant marine in the world, barring none.

But during the Civil War more than a million tons of our ships were destroyed, and fully that many more sought foreign registry to prevent capture and destruction by one side or the other in that unfortunate fratricidal contest. And in 1866, immediately following the Civil War, the Congress, perhaps in a spirit of pique, enacted a law prohibiting the reregistry under the American flag of those ships that had sought protection under foreign documentation. So that during that brief period there was a very substantial decrease in American ships; and just about that time and for a decade prior to the Civil War we had the advent of the steamship; and while an American had invented the steamboat, yet we were so successful with and



so wedded to our fast wooden sailers that we were very slow to turn to steamships and also slow to turn to iron and steel vessels. And so Great Britain, which was then our greatest rival on the sea, began the construction of steamships and of iron vessels, and in that way began to overtake us and distance us.

Then along in 1849 and the few years thereafter we had the discovery of gold and the rush to California, which attracted the minds of the citizens of this country to the great undeveloped West, and we began a great material development, and that attracted the minds of the people and the money of the investors. And so this great interior development, followed by a great industrial development, took place, with the result that this Nation ceased to be ship mined at the time that it turned its mind and its attention and its money to interior development.

American people not only lost interest in a merchant marine from a commercial standpoint but also from the standpoint of national pride. One of the greatest handicaps to American shipping has been that Americans are not as loyal to the flagships of their country as are the nationals of other countries. Even high American officials frequently travel on foreign ships. If American citizens would loyally support American passenger and cargo vessels, American shipping will surely succeed.

Another reason assigned by the authorities on the subject is that—

a most effective cause for the decline was the protective tariff.

As is well known, high tariff duties began to be imposed soon after the Civil War, primarily for the purpose of raising revenue to liquidate the war indebtedness. However, the high protective tariff system became a fixed policy of the party which has been in power most of the time since the Civil War, and tariff rates have on the whole steadily increased. High tariff rates on shipbuilding materials has militated against American ship construction, and the present high tariff rates on shipbuilding material cover most of the differential between the cost of American and foreign ship construction. Furthermore, the authorities agree that the—

tariff has restricted the number and amount of cargoes that American ships could bring from foreign ports, and that condition will always be present in the face of a high tariff.

President Harding, in one of his messages to Congress, very correctly stated that before you can have a successful and profitable merchant marine you must have both incoming and outgoing cargoes. Nobody disputes this truism. The situation is such that Chairman Lasker described it by saying that the tonnage of all exports to Europe is three and a half times as much as the tonnage of our imports from Europe. We must admit that it is not an ideal situation when even if our ships go to Europe fully loaded they must return five-sevenths empty.

I am not discussing this question from a partisan standpoint. I shall not enter into any discussion of the merits of a high protective-tariff system. I am simply stating the facts. No discussion of the handicaps to American shipping can fairly omit mention of the greatest handicap.

However, without even suggesting any surrender of their views with respect to a high protective-tariff policy, I do wish to suggest to those members of the Republican Party, who are vitally interested in an American merchant marine, the advisability of either repealing or substantially reducing the tariff on shipbuilding materials. It is not a part of the policy of the party in power to impose high tariff duties upon all commodities, not even all manufactured commodities—notably shoes. They might, with entire propriety and with great benefit to American shipbuilding and consequent ship operation, adopt such a policy with respect to shipbuilding materials. To do so, would be in keeping with the policy of the Republican Party prior to the Fordney-McCumber Tariff Act.

The act of June 6, 1872, permitted the free importation of certain materials which entered into the construction of wooden vessels for foreign trade and trade between the Atlantic and Pacific coasts of the United States. The tariff act of August 15, 1894, extended the free list so as to include all shipbuilding materials, but only to be used in the construction of vessels for the foreign trade and for the domestic trade between the Atlantic and Pacific ports of the United States. This restriction was such as to practically nullify the usefulness of the privilege. The act of August 5, 1909, permitted ships constructed in whole or in part of imported materials to engage in coastwise trade six months out of the year, while section 5 of the Panama Canal act of August 24, 1912, permitted such ships to engage in the coasting trade during the entire year. The tariff act of October 3, 1913, made no change in this respect.

Prior to the 1909 act the cost of steel plates, the chief material entering into ship construction, ranged from \$6 to \$15 more per ton in the United States than in England, it being

freely charged that American steel manufacturers successfully competed with English manufacturers in foreign countries, selling steel plates and other material much cheaper abroad than they did in the United States. Even with the restrictions on ship construction imposed by the act of 1909, the differential began to disappear; by August, 1910, one year after the passage of the act, the price of steel ship plates in the United States was \$31.36 per ton and in England \$31.63 per ton; by September, 1911, steel plates were \$28.54 in the United States and \$32.85 in Great Britain; in September, 1912, they were \$30.91 in the United States and \$38.93 in Great Britain, this being the month following the passage of the act of 1912; in December, 1914, the selling price of steel plates in the United States was \$23.74 and \$35.59 in Great Britain; in June, 1915, the price in the United States was \$27.44 and in Great Britain \$47.45, a differential of \$20.01 in favor of the United States. Consequently, by these changes in the tariff laws a former large disadvantage of the American shipbuilder was converted into a distinct advantage.

The condition of the American merchant marine engaged in the foreign trade grew gradually worse until 1910. At that time, instead of carrying from 62½ per cent to 92 per cent of our whole commerce, we were carrying only 8.7 per cent.

In that connection, however, I want to state this, because not to state it, it seems to me, would be unfair and misleading. Aside from the decrease in American tonnage from 1860 to 1870, there was no decrease in our tonnage. It gradually grew. It has continued to grow practically from the establishment of this Government. But there was a tremendous decrease, as I have indicated, in the percentage of our commerce which we carried, because our commerce grew so rapidly and our shipping grew so slowly after 1860 that we did not by any means keep up with our industrial growth, so far as our shipping growth was concerned.

Now, that brings us down to the World War; and we were so interested and so absorbed in our domestic affairs and industry that we seemed to have largely forgotten the sea. We seemed to have largely forgotten the importance of an American merchant marine, particularly from the standpoint of national defense; and so, after the commencement of the World War, and even before we ourselves became involved in the World War, we began to feel keenly the need of merchant ships, because many of the foreign ships which had been plying to and from our shores were diverted from that trade. Many of them were sunk. And so we began to feel the situation very seriously before we became involved in the war.

Then, when we ourselves became involved in the war, we found that we needed merchant ships more than we needed warships. In that connection I want to remind you Members that there has seldom been a war of any magnitude in which merchant ships have not borne as important a part and proven as useful and necessary as warships. This was literally true in the World War, and it will ever be so, because if we maintain our commerce in war and supply our troops with munitions and food supplies and with various other equipment, as is necessary in the conduct of a real war, we must have the ships to carry them as well as the men; and we would likewise need our merchant ships if other important maritime nations became involved in war and their ships are withdrawn from our trade.

Hence, from the national defense standpoint, it is important to have an American merchant marine, and as has already been well stated by others, it is a matter of tremendous importance in peace time.

As indicated, conditions created by the World War, even before the United States became involved therein, forcibly impressed the importance of a larger American merchant marine; besides there was a continual apprehension that the United States might become involved in war. Consequently, the Sixty-fourth Congress enacted the shipping act, 1916, as stated in the title:

To establish a United States Shipping Board for the purpose of encouraging, developing, and creating a naval auxiliary and naval reserve and merchant marine to meet the requirements of the commerce of the United States with its Territories and possessions and with foreign countries; to regulate carriers by water engaged in the foreign and interstate commerce of the United States, and for other purposes.

Within a year after the passage of said act, the United States did become involved in the World War. There was a most pressing and immediate demand for ships and more ships. Under the provisions of the 1916 act and certain emergency acts was consummated the most tremendous shipbuilding program in the world's history. The United States acquired by construction and purchase a total of about 2,500 merchant ships, which were put into immediate service as soon as purchased or launched. Aside from the very important part these ships



played in the war and in the return of our troops, supplies, and equipment, the Shipping Board established trade routes to every principal port of the world, with the result that American-flag ships carried over 50 per cent of our exports and imports in the years 1920, 1921, and 1922. On January 1, 1920, 1,525 Shipping Board vessels with a dead-weight tonnage of 8,681,791 were in successful commercial operation. During the year 1920 there developed a tremendous slump in world commerce resulting in a world-wide withdrawal and lay up of ships. Shipping Board vessels were rapidly—too rapidly—withdrawn from operation, with the result that American-flag ships carried 42 per cent of our imports and exports during the year 1923, 44 per cent during 1924, 40 per cent during 1925, and so on. During the Sixty-sixth Congress a select committee, of which Representative Joseph Walsh, of Massachusetts, was the chairman, was appointed to inquire into the operations of the United States Shipping Board and Fleet Corporation, and conducted a comprehensive inquiry into the ship construction and other activities during the World War. The unanimous report of this committee concluded in part as follows:

Considering the program as a whole, the accomplishments in the number of ships constructed, the tonnage secured, and the time within which the ships were completed and delivered constitute the most remarkable achievement in shipbuilding that the world has ever seen.

However, aside from the delay involved, these ships were constructed, purchased, and commandeered at war prices, all of which we hope may be avoided in any future national emergency.

It is difficult to estimate correctly how much the Shipping Board vessels have saved the American people in the way of freight rates, not to speak of better and more frequent services from and to a much larger number of ports both at home and abroad.

There is no question at all but that if we had not had these ships plying in American services and carrying American products that we would have been bled through the nose with exorbitant freight rates, such as were exacted during the war, when they charged whatever they desired, and at that time it could not be prevented.

This is a large subject, and I can touch upon only a few features of the bill before us and of their import and significance.

I want to concur in the statement that this bill is possible because of a spirit of cooperation on the part of the members of the Merchant Marine and Fisheries Committee. I have never seen a finer spirit manifested. We all realized that every man could not have his way; that perhaps no man could have a bill exactly in accord with his own views. So far as I am concerned, if I were given the absolute and unconditional authority to draft legislation, I would draft it differently in some particulars, at least, from the bill before us, and I assume that is true with respect to every other member of the committee. On the other hand, each of us might have been wrong in our individual opinion, and I hope that in reporting a bill which represents the composite wisdom of the entire committee we have a more valuable measure than could be drafted by any of the members acting alone.

I do not agree with the suggestion of the gentleman from Indiana [Mr. Wood], who in his speech said that he indorsed this bill because it was a "good beginning." I want to assert that it is more than a beginning, and I further assert that this bill, if enacted into law, is the most constructive and will be the most helpful bill to a national merchant marine that has ever been enacted by this or any other country. [Applause.] While I say that, yet I consider the bill economically sound and entirely workable.

There is no provision in it involving a principle which does violence to the historic views of either great party. I do not think there is anything in it which any Member of this Congress can not conscientiously support. As I indicated at the outset, there are doubtless differences as to some of the details, but I am discussing the principles involved, and there is not a single provision in this bill which involves a principle that is not already embodied in our laws. We have modernized and liberalized existing laws in several particulars. I shall not undertake to discuss the detailed features of the bill, because that has been admirably done by the distinguished chairman of our committee and by other members of this committee.

But referring again to the effect of this legislation, I want to state that in my opinion it will restore the American flag to the sea in such a way and to such an extent that the American people will again become ship minded; they will take a pride in their merchant marine and will support it in such a way that it will be entirely successful. [Applause.] All authorities agree that one of the greatest difficulties now is that when the

American people ceased to have an interest in the sea they ceased to appreciate the importance of their individual and collective support of an American merchant marine, and if Americans will support their merchant marine like the nationals of other countries support their merchant marines, we will not only have a great merchant marine, carrying at least 50 per cent of our imports and exports, but we will have one that will be financially successful. Our national pride and patriotism should embrace our merchant marine. To-day, even under existing conditions, if our ships returned with full cargoes, like most of them depart from our shores, they would be on a very profitable basis. This view is not mine alone.

We had before us at the hearings many witnesses. We had many American shipowners, and I want for a minute to refer to their views. We had before us Henry Herberman, the president of the American Export Lines, which operate between north Atlantic ports, and nearly a score of Mediterranean and Black Sea ports. They are operating in this highly competitive trade 21 passenger and cargo vessels, which they purchased from the Shipping Board, all under the American flag and with crews practically 100 per cent American. They are doing a splendid work, they are rendering a fine service, and promoting American commerce, because they are operating these lines on American businesslike principles. [Applause.]

Mr. Herberman stated that if this bill became a law they would be "on top of the world," and would build new, speedier, and finer ships to replace their present fleet, and would be able to successfully compete with any ships in the world.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. DAVIS. Mr. Chairman, I yield myself 10 additional minutes.

The CHAIRMAN. The gentleman from Tennessee is recognized for 10 additional minutes.

Mr. MOORE of Virginia. Before the gentleman finishes his remarks will he touch upon the point that was made here early in the debate with reference to the contracts under which American railroads operate in connection with foreign steamship lines? I assume the gentleman's belief is that if the American merchant marine is made more vigorous and its permanency insured that after awhile there will be no such contracts to invite criticism.

Mr. DAVIS. In reply to the gentleman from Virginia I will say that it is undoubtedly true that certain American railroads have contracts with foreign steamship lines, under which agreements they exchange freight with each other. My information is that that practice is not as bad as it was, but it is certainly bad enough. I wish to state that that matter is dealt with by the Democratic national platform adopted in 1924, and if you will pardon a personal reference, I had some part in the preparation of that platform. Among other things it says this:

We condemn the practice of certain American railroads in favoring foreign ships and pledge ourselves to correct such discriminations.

I want to state to the gentleman from Virginia that there is in the merchant marine act of 1920 what is known as section 28, which was designed to remedy that situation. Our committee held extensive hearings on that provision some two or three years ago, at which representatives from all over this country appeared and gave their views, but nothing was done at that time by the committee or by the Shipping Board for the reason that it appeared that to invoke that provision at the time would work a very great hardship on American industry and American foreign commerce in many ports, at least, because of the lack of American ships to adequately take care of the situation, both with respect to tonnage and sailings, and general service. If this measure builds up an American merchant marine, if it results in the construction and operation of faster ships, more frequent sailings, more modern service in every way, and more American lines operating to and from our shores, which we think will result, it will no longer give an excuse to these railroads, in the first place, to make contracts with foreign lines, and, in the second place, it will certainly justify the Government through that section or in some other manner, in meeting the situation and eliminating that practice.

Reverting to the prospects for the construction and operation of speedy, modern ships under the American flag and in the foreign trade, in the event this measure becomes a law, it appears that several private operators in the Pacific, the Oceanic Steamship Co., the American Hawaiian Steamship Co., the Oregon Oriental Line, and perhaps others plan the construction of several such ships, involving an expenditure of approximately \$40,000,000 in the near future.

The gentleman from Massachusetts [Mr. GIFFORD] explained in some detail the plans of the Trans-Oceanic Co. to construct



and place in operation six of the speediest and most modern ships ever constructed, for operation under the American flag in the North Atlantic.

Of course, all of these plans and proposals are tentative and conditional upon the passage of this bill.

This is the reason we increased the construction-loan fund, in order to meet the demands for money with which to build these modern, speedy ships, which will not only be so valuable as merchant ships in times of peace, but will prove of incalculable benefit in time of war.

I was requested by some one to explain what justification we thought there was for proposing to lend 75 per cent of the cost of construction of a ship at the current Government rate of interest. In addition to what I stated in response to the question at the time, I want to suggest this: We are spending every year several hundred million dollars upon our Navy, not to speak of our Army, from which we receive no pecuniary returns whatever, and which does not perform any useful service in peace times. We do not expect them to. We do not complain because they do not, but here it is proposed to build some modern ships which would be of just as much value in times of national emergency as the warships, and all the Government is asked to do is to lend 75 per cent of the value of the construction at the rate at which the Government itself could borrow the money, and for the principal to be paid back in equal annual installments with annual interest.

Under the provisions of this bill these ships must be constructed in accordance with plans approved by the Navy, and the Navy will approve them from the standpoint of naval auxiliaries.

The Trans-Oceanic Co. explained their tentative proposal before the committee and before the Shipping Board to build six very large ships that would be airplane carriers. These are the same people who built the U. S. S. *Lexington* and *Saratoga*, the great airplane carriers. The *Lexington* has already in actual test demonstrated that she can make 33 knots or more. These ships will be capable of carrying 24 airplanes on the upper deck of each one of them, and under the provisions of this bill, if we get into war, we can commandeer these ships and pay no consequential damages and pay nothing because of an enhanced price due to the war.

I think this sufficient justification, if somebody else is willing to build these great instrumentalities of defense under the provisions of this bill. I think it is a pretty good investment from a national-defense standpoint, not to speak of the fact that during peace times they will be operating under the American flag between our shores and the shores of other countries.

Like the gentleman from Massachusetts [Mr. GIFFORD], I am not familiar with the technical and mechanical details of the proposal, but it appealed to me and I think it appealed to the Congress. The construction and operation of such ships as proposed by the Trans-Oceanic Co. would certainly go far toward restoring American prestige on the seas, would appeal to American pride, and do much toward making American citizens "sea minded" again. If such a proposal be formally and officially presented to the Shipping Board, I trust that it will have most careful, impartial, and sympathetic consideration. I have always said that the American people can excel every other nationality in every line of industry and that whenever they apply the same industry and the same enterprise and the same intelligence to shipping that they apply to other industries they will likewise excel the world in that. [Applause.]

The CHAIRMAN. The time of the gentleman from Tennessee has again expired.

Mr. WHITE of Maine. I yield to the gentleman from New Jersey [Mr. WOLVERTON].

Mr. WOLVERTON. Mr. Chairman and Members, I come from a State with many miles of seacoast on one of the earth's greatest oceans. To the north my State shelters the harbor of New York, and to the south its borders combine to form the port of Philadelphia. Within the State, I come from a district extending along the banks of the Delaware River—the greatest shipbuilding area in America.

I proudly admit I am ship minded. I confess to the belief that this country's future destiny lies on the sea. It is heartening to know that I am not alone in this faith. Our legislators and leaders throughout the land have unanimously expressed their deep conviction that America must again take her place as a maritime nation. I speak of a return to the sea because from 1816 to 1860 American clipper ships and packet boats were supreme on the oceans of the world, the envy and despair of foreign traders. Built for long voyages and marvels of speed, they carried during this period nearly 90 per cent of our foreign commerce.

If we follow the history of American navigation laws we see that the policy of discriminating duties was in full force

until about the year 1790. This policy gradually weakened, until in 1850 it was finally suspended due to the adoption of reciprocity treaties with the leading nations. But prior to this date all sections and all parties of this country had united in offering subsidy to American steamship lines, and this ocean mail policy begun in 1847 had by 1855 completely vindicated itself. Our ocean fleet had increased in tonnage 200 per cent in this short period, and our vessels were the equal of any afloat. It was the grave misfortune of the American marine at this critical period to be drawn into the maelstrom of sectional strife. The merchant shipping of the United States was owned chiefly in New England and New York and sailed from northern ports.

The ocean mail system became more and more an issue of sectional politics, and in 1855 the ocean mail transportation bill making appropriations for the coming year was vetoed by the President. This checked at once the swift, steady growth of our deep-sea tonnage and the most important lines were soon abandoned. The startling reversal of a great national policy that had been entered upon with such high patriotic motives was part of the price this country has had to pay for that feud between the States. In the years when America withdrew its protection from Atlantic steamship enterprise and left it to perish, the nations of Europe, our competitors, were steadily increasing their ship subventions and widely extending their trade routes from ocean to ocean. But with the period of our Civil War what remained of our shipping was totally destroyed. Following the war, Americans turned their energies to the building of railroads and the developing of the interior of their country. To-day, railroad networks cover the land, and we have become the greatest industrial Nation on the globe. And I remind you, Mr. Chairman and Members, that our railway systems have been built up with a subsidy ten times greater than would be required for the revival of our foreign-commerce routes. Our economists tell us that we must now sell abroad from 10 to 12 per cent of our products. The farmers from the interior and the manufacturers along our shores all agree that we must take this surplus product of farm and factory to foreign markets. Having provided adequate and economical facilities for carrying the products of the country to the seaboard, must we await the convenience of the foreign carrier to take this wheat, cotton, oil, and machinery to market for us? We left the high seas to build our country. We have completed that job and we turn our faces seaward once more. It is a logical result by reason of our traditions and the natural instincts of a maritime nation. Furthermore, there is on the sea a great field for transportation enterprise and the development of a commerce profitable alike to producers on shore and operators on the sea. The 5,000 miles of coast line possessed by this country does not suggest to me any reason for the supremacy of any foreign power on the sea.

From the days of Oliver Cromwell until the present, British shipping has been built up and largely sustained through discriminations in favor of her own and against the ships of other nations. No student of history can doubt but that to her navigation laws, which are an ingeniously constructed system favoring British seamen, British shipbuilders, British shipowners, and British merchants, England chiefly owes the vast extension of her commerce. And to-day we find foreign governments still assisting in the development and maintenance of their respective merchant marines. Mr. Lawrie, of the Shipping Board, in his recent report, tells us that capital is being loaned by some foreign governments at low rates of interest as an inducement to the construction of vessels of the most up-to-date types and of the greatest speed. That mail subventions and construction bounties are being paid by these governments to their shipowners and have proved of great assistance in developing and maintaining their fleets. When a foreign vessel is constructed to satisfy the requirements of the Navy for conversion as a cruiser in time of war, the owner of the vessel is adequately compensated. By these and other means our competitors foster and maintain their sea power.

That some assistance should be afforded shipping is only consistent with our national policy, and in recognition of this principle various protections and aids were provided for our overseas ships by the merchant marine act of October, 1920. Those aids consisted of preferential rail rates, discriminating duties in favor of goods transported in American vessels, certain tax exemptions, and the extension of our coastwise laws to some of our insular possessions. None of these provisions ever become effective. Almost without exception the items of real interest in what has been called our declaration of maritime independence have either been ignored, repealed, or in some manner set aside. So we have had on our statute books much writing that would give the casual reader the impression that American ships are receiving substantial aid and protection,

while, as a matter of fact, the results of such few of these provisions as have been put into effect are insignificant and in their general application ineffective. So the light which Americans hoped would brighten our merchant marine has turned to darkness and only those familiar with the gradual decadence of our shipping know how great is that darkness. We realize that Thomas Jefferson spoke truth when he said:

The carriage of our commodities, if once established in another channel, can not be resumed in the moment we may desire.

The sequel to patriotic declarations, noble sentiments, and solemn pledges has been a policy of evasion and denial.

It is with a negligent Congress refusing substantial encouragement and aid, which private shipping enterprise requires to enable it to meet world competition, that our citizens are so much concerned. Such neglect has made our maritime interest doubtful and forced capital to seek other fields of investment. It indicates an abandonment of the hope of American ship undertakings and suggests a loss of faith in the vision of an American merchant marine proportionate to the American cargoes to be carried over the seven seas.

During the present session of this House the people of the United States have unanimously reaffirmed their maritime mandate of 1920 and again vigorously asserted their unqualified determination to provide an adequate merchant marine. They know that American capital and American labor can build and operate American ships if the Government will give the shipping industry that legitimate aid which in addition to putting our flag on the seas would be a benefit to every farm and every factory in the land.

I am satisfied with the deliberations given to this matter by both Houses of this Congress and my pride and love of country do not mislead me when I state my belief that the people of the United States if given the proper assistance and encouragement can rival any maritime people on earth. I believe the bill under consideration gives the necessary aid and that the enactment of this definite policy is imperative.

It is not a partisan issue. Woodrow Wilson said in 1915:

To speak plainly, we have grossly erred in the way we have stunted and hindered the development of our merchant marine. The merchants and farmers of this country must have ships to carry their goods. It is of capital importance that the United States should be its own carrier on the sea and enjoy the economic independence which only an adequate merchant marine would give it. It is high time we repaired our mistake and resumed our commercial independence on the sea.

And when the World War began the United States, with a wealth surpassing that of any other nation on earth and a commerce equaling that of any country, had under her flag in the overseas trade only 15 ships. Less than 10 per cent of our billions of ocean commerce was at that time transported under our own flag. We were dependent for carrying facilities upon our greatest commercial competitors, and we paid into their coffers each year for transportation charges millions of dollars. The war came and revealed the fact that this Nation had progressed in everything that makes a people great except ocean transportation. Our docks and terminals were soon piled high with the products of the farm and the factory. Our foreign competitors, who had always been willing to carry our imports and exports, were found in this time of emergency to be unavailable.

The farmer was perhaps the greatest sufferer, because of the perishable character of his products. It is estimated that our lack of ships cost us in increased charges in one year \$500,000,000. After our own entrance into the war this service became more inadequate than ever and there resulted the unprecedented congestion of domestic products awaiting shipment at every seaport in the country. This necessitated the huge emergency shipbuilding program carried on by the United States at an enormous expense. At the time of construction the question of fitness of these vessels to engage in competitive foreign trade was not considered, but was entirely subordinated to the primary requirements of speedy output and heavy tonnage. So the end of the war found these vessels, with only a few exceptions, to a large degree obsolete for competitive purposes and fast wearing out. In general, they are far inferior to the vessels of foreign nations, who are now building ships of the very latest types and highest efficiency. We can not hope to succeed unless we do likewise; we can not blame our Shipping Board for failure to accomplish the impossible. At the present time there is no ship being built in the shipyards of this country for overseas trade. The need of a definite policy is imperative. Within the next five years the German merchant marine, assuming that its present building program can be maintained, will have reached a total tonnage exceeding its pre-war strength and will be com-

posed entirely of vessels constructed on the latest and most efficient lines.

A very important factor on the sea is speed. The British Empire has 309 vessels, as compared with 51 of the United States, ranging in speed between 15 and 19 knots. In ships over 20 knots we rank fourth. In view of the disarmament treaty, it is the larger and faster vessels, quickly convertible into naval auxiliaries, that are of paramount importance.

In President Coolidge's annual message to Congress in 1923 he stated:

The entire well-being of our country is dependent upon transportation by sea and land. We must have a merchant marine which meets these requirements, and we shall have to pay the cost of its service.

The records of this Congress, Mr. Chairman, reveal only too well what the cost of this service would be if provided by the Government. The bill I am endorsing proposes to build up a new American merchant marine without cost to the Government or the taxpayer, except as payment for service rendered and when those services are measured by a fair, just, and reasonable price and not paid as a lump sum without regard to work performed. Its provisions will make possible the use of Government credit facilities in the form of a construction loan of three-fourths the cost of building ships at the Government's current rate of interest. Such a loan is protected by prior liens on the ships themselves and will be returned in 20 years by amortization. Mail rates are established, not as a subsidy but commensurate with the speed and frequency of the service, its cost, and utility. Authority is given to the Post Office Department to enter into ocean mail-carrying contracts for periods of 20 years, the life of the loan.

Because approved insurance, whether here or abroad, is limited on any single ship to \$9,000,000, the bill provides, in case of total loss, for cancellation of the loan against the ship to the extent not covered by amortization and insurance. Provision is also made by which the crews or a part of them can be enrolled in the Naval Reserve.

I submit that this is the first time that any proposed shipping legislation, prior to its enactment, has called forth from our citizens promises of concrete building programs to advance America's prestige on the sea. This must surely reflect the merit inherent in this bill and would seem to be an earnest of its success if it becomes law. In the RECORD for January 31 is recorded a telegram addressed to the Shipping Board from the president of the Export Steamship Corporation and reading as follows:

We contemplate placing order for three combination passenger and cargo vessels with a speed of 18 knots for operation between New York and Alexandria, Egypt, with call at Gibraltar and Algiers en route. This new construction conditional upon the passage of Cope-land bill or similar legislation providing long-term mail contracts and loan from construction loan fund to partly finance new construction. We are also willing to consider new construction for the New York-west coast of Italy service under similar conditions.

Also, the Transoceanic Corporation of the United States on January 24 made a definite proposal to the Shipping Board for the construction of six vessels to fly the American flag across the North Atlantic—ships that will make the fastest passenger vessels now afloat look like lumbering freighters. This proposal is contingent on the enactment of legislation similar to that contained in the bill at issue. These ships are designed as airplane carriers and meet more perfectly than any vessel ever projected the requirements both of the merchant marine and the Navy. In times of peace these vessels will pay their own way and in times of war they will be deadly units of our armed forces at sea. Their readiness will cost the taxpayer nothing.

This bill will revolutionize ocean service. It offers not only a way to build up a merchant vessel service capable of carrying our traders, our products, and our trade influence to the trade marts of other nations, but also makes possible the building of those naval auxiliaries so necessary for any nation that has risen to a commanding place in the world. We ask only for legislation that will give an American merchant marine of use to the manufacturers, merchants, and agriculturists; that will furnish employment to labor; and that will permit us to build ships in competition with those constructed in foreign countries. If we are to have continued prosperity, we must acquire our share of the world's commerce, and we must transport those commodities to the markets of the world in American ships at least the equal of our competitors and maintain a service on a par with, or better than, our nearest rival. The merchant marine is not merely a carrier of the fruits of industry and of the soil, but the merchant marine is an organization which seeks to develop new business. Overproduction is already a



problem and must be solved. The development of foreign markets will be a remedy. Ships are essential to this commerce, and the principle of the control of these ships is as vital as the principle of the freedom of the seas. Our economic independence demands that the ownership of the vessels that carry our products remain in America.

We are drifting for want of leadership in things concerning shipping. I believe the enactment of this bill will give us wise shipping laws, free us from useless restrictions, and go a long way toward solving our problem. I earnestly implore and bespeak your support, for we must give it more than just serious consideration. Our present fleet will soon become obsolete and our shipyards are fast disappearing. Unless Congress acts we will be dependent upon foreign ships to handle our overseas trade upon their own terms and conditions. Can we supply the statesmanship that shall make the flag of vessels carrying this country's commerce our own?

It is a question of aid, of high and holy protection in the best meaning of the term; the protection of our country, our labor, our commerce, and all that gives dignity and character to nations.

The bill before you answers fully this question and will give the protection desired. It represents on this subject the thought of the best minds in Congress and throughout the land. It is not a subsidy or a subvention, but gives aid only in return for services rendered and commensurate with the work performed.

Mr. WHITE of Maine. Mr. Chairman, I have no other requests for time, and unless there is time available on that side I suggest that the Clerk read the bill for amendment. May I say to the membership of the House I hope we can read to the middle of page 5. So far as I am concerned, I will be disposed to stop there.

The Clerk proceeded with the reading of the bill, and read to line 12, page 5.

Mr. WHITE of Maine. Mr. Chairman, in accordance with an understanding I have had with various members of the committee, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. CRAMTON, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (S. 744) to further develop an American merchant marine, to assure its permanence in the transportation of the foreign trade of the United States, and for other purposes, and had come to no resolution thereon.

#### MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Craven, its principal clerk, announced that the Senate disagrees to the amendment of the House of Representatives to the bill (S. 3555) entitled "An act to establish a Federal farm board to aid in the orderly marketing and in the control and disposition of the surplus of agricultural commodities in interstate and foreign commerce," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. McNARY, Mr. CAPPER, Mr. GOODING, Mr. SMITH, and Mr. RANDELL conferees on the part of the Senate.

#### ROSEBUD SIOUX INDIANS, SOUTH DAKOTA

Mr. WILLIAMSON. Mr. Speaker, I call up the bill (S. 3438) authorizing a per capita payment to the Rosebud Sioux Indians, South Dakota.

The SPEAKER. The gentleman from South Dakota calls up the bill S. 3438, which the Clerk will report.

The Clerk read as follows:

A bill (S. 3438) authorizing a per capita payment to the Rosebud Sioux Indians, South Dakota

*Be it enacted, etc.,* That the Secretary of the Interior be, and he is hereby, authorized to withdraw from the Treasury of the United States so much of the tribal funds on deposit therein to the credit of the Rosebud Indians, of South Dakota, as may be required to make a \$10 per capita payment to the recognized members of the tribe, and to pay or distribute the same under such rules and regulations as he may prescribe.

The bill was ordered to be read a third time, was read a third time, and passed.

On motion of Mr. WILLIAMSON a motion to reconsider the vote whereby the bill was passed was laid on the table.

A similar House bill was laid on the table.

#### INTERNATIONAL TECHNICAL COMMITTEE OF AERIAL LEGAL EXPERTS (S. DOC. NO. 94)

The SPEAKER laid before the House the following message from the President of the United States, which was read and, with accompanying papers, referred to the Committee on Foreign Affairs and ordered printed:

#### To the Congress of the United States:

I transmit a report from the Secretary of State in regard to the work of the International Technical Committee of Aerial Legal Experts, in the deliberations of which the Government of the United States would be entitled to participate if it should pay a share of the annual expenses of the committee, and commend to the favorable consideration of the Congress the recommendation of the Secretary of State, as contained in the report, that legislation be enacted authorizing an annual appropriation of a sum not in excess of \$250 to meet the quota of the United States toward the annual expenses of this committee, beginning with the calendar year 1928.

CALVIN COOLIDGE.

THE WHITE HOUSE, May 4, 1928.

#### AGRICULTURAL SURPLUS CONTROL BILL

Mr. HAUGEN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill S. 3555, the agricultural surplus control bill, that the House insist on its amendments, and agree to the conference asked for.

The SPEAKER. The gentleman from Iowa asks unanimous consent to take from the Speaker's table the bill S. 3555, the agricultural surplus control bill, insist on the House amendments, and agree to the conference asked for by the Senate. Is there objection?

Mr. O'CONNOR of Louisiana. Reserving the right to object, I want to suggest the advisability in view of the widespread importance of the bill that five conferees be named.

Mr. HAUGEN. I have suggested the usual number.

Mr. O'CONNOR of Louisiana. I submit that because of its tremendous importance and its wide scope that five conferees would better represent the attitude of the House.

Mr. HAUGEN. There is very little difference in the two bills.

Mr. O'CONNOR of Louisiana. The suggestion was made to me by a Member of the Senate in whom I have great confidence.

Mr. CRAMTON. Mr. Speaker, perhaps I misunderstood the gentleman; but I understood him to say that he made the suggestion at the request of a Member of the Senate. I want to protest against a Member of the Senate making any suggestions as to the number of House conferees.

Mr. O'CONNOR of Louisiana. If I expressed myself in that way, I might say that it was for the purpose of better arresting the attention of the gentleman from Michigan, or that it was a loose and inadvertent expression of my thoughts. I regret that I alluded to a matter which was a statement in a conversational way and that it has aroused the violent animosities of the gentleman from Michigan. The statement of the Senator was my thought also.

Mr. CRAMTON. The selection of conferees is in the hands of the Speaker. The selection of House conferees is not in the hands of the Senate.

Mr. O'CONNOR of Louisiana. I have no doubt about that. There is no reason for resentment because I had a conversation with a Senator—I do not think they are pariahs among the Nation as yet. He would not think of intruding on the functions of the House and I did not make my statement at his request. I am perfectly frank about it. I think he was correct, however, in the hope that he expressed to me that five conferees would be better than three to express the attitude of the House on this far-reaching legislation.

Mr. Speaker. I withdraw the reservation of an objection.

The SPEAKER. Is there objection?

There was no objection.

The Chair appointed as conferees on the part of the House Mr. HAUGEN, Mr. PURNELL, and Mr. ASWELL.

#### LEAVE OF ABSENCE

Mr. BURTON, by unanimous consent, was given leave of absence for one week on account of important business.

#### AGRICULTURAL EXTENSION WORK

Mr. HAUGEN. Mr. Speaker, I present a conference report on the bill H. R. 9495, agricultural extension work, for printing in the RECORD.

The conference report and statement are as follows:

#### CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9495) to provide for the further development of agricultural extension work between the agricultural colleges in the several States receiving the benefits of the act entitled "An act donating public lands to the several States and Territories which may provide colleges for the benefit of agriculture and the mechanic arts," approved July 2, 1862, and all acts supplementary thereto, and the United States Department of Agriculture," as amended,

having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 1 and 2:

(1) Page 3, line 8, after "in," insert "such."

(2) Page 3, line 8, after "proportions," insert "as may be determined by the State agencies."

G. N. HAUGEN,  
JOHN C. KETCHAM,  
J. B. ASWELL,

*Managers on the part of the House.*

CHAS. L. McNARY,  
ARTHUR CAPPER,

*Managers on the part of the Senate.*

#### STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 9495) to provide for the further development of agricultural extension work between the agricultural colleges in the several States receiving the benefits of the act entitled "An act donating public lands to the several States and Territories which may provide colleges for the benefit of agriculture and the mechanic arts," approved July 2, 1862, and all acts supplementary thereto, and the United States Department of Agriculture," submit the following written statement in explanation of the action agreed upon by the conferees and recommended in the accompanying conference report:

On amendments Nos. 1 and 2: The Senate amendments would have changed the form of the bill as passed by the House by leaving the final determination as to the proportion of men and women agents to the extension directors of the several States without final review by the Secretary of Agriculture. In view of the fact that this extension service is a cooperative service and the Federal Government makes substantial contributions to the support of the extension agents, the conferees deemed it unwise for the Federal Government to entirely surrender its jurisdiction provided in the Senate amendments, and therefore reached a unanimous agreement in support of the bill as it was passed by the House. The provision as it now stands in the bill gives to the extension directors of the several States and the Department of Agriculture the same control and jurisdiction now exercised in the distribution of funds under the Smith-Lever bill and with a modification as to the proportion of men and women agents to be employed in the further development of the cooperative extension system in agriculture and home economics.

G. N. HAUGEN,  
JOHN C. KETCHAM,  
J. B. ASWELL,

*Managers on the part of the House.*

#### ORDER OF BUSINESS

Mr. TILSON. Mr. Speaker, when the tentative program was made up and posted in the Speaker's lobby, nearly a week ago, it was not practicable to state what the business would be on Saturday, to-morrow, and therefore it is stated there as "undetermined." I now wish to state that it is expected on to-morrow to take up the conference report on the flood control bill and when that is disposed of to go on with the reading of the shipping bill under the five-minute rule, with the expectation that the bill will be completed to-morrow.

Mr. WHITE of Maine. I take it, Mr. Speaker, that the conference report has the right of way, but I do have the earnest hope that the membership will be disposed to remain here and complete this bill to-morrow.

Mr. DAVIS. I would like to ask the gentleman from Connecticut to state whether or not, if we do complete the bill to-morrow, the Committee on the Merchant Marine and Fisheries will have next Tuesday as a special Calendar Wednesday?

Mr. TILSON. That is the understanding and, in fact, the order of the House.

#### SENATE BILLS REFERRED

Bills of the following titles were taken from the Speaker's table and, under the rule, referred to the appropriate committees, as follows:

S. 1727. An act to amend the act entitled "An act for the retirement of employees in the classified civil service, and for other purposes," approved May 22, 1920, and acts in amendment thereof, approved July 3, 1926; to the Committee on Civil Service.

S. 1781. An act to establish load lines for American vessels, and for other purposes; to the Committee on the Merchant Marine and Fisheries.

S. 2720. An act for the relief of David McD. Shearer; to the Committee on Claims.

S. 3752. An act to amend section 3 of an act entitled "An act authorizing the use for permanent construction at military posts of the proceeds from the sale of surplus War Department real property, and authorizing the sale of certain military reservations, and for other purposes," approved March 12, 1926; to the Committee on Military Affairs.

S. 4216. An act to authorize the adjustment and settlement of claims for armory-drill pay; to the Committee on Military Affairs.

#### ENROLLED BILLS SIGNED

Mr. CAMPBELL, from the Committee on Enrolled Bills, reported that they had examined and found truly enrolled bills of the following titles, when the Speaker signed the same:

H. R. 10536. An act granting six months' pay to Anita W. Dyer; and

H. R. 12733. An act to authorize the refund of certain taxes on distilled spirits.

#### BILLS PRESENTED TO THE PRESIDENT

Mr. CAMPBELL, from the Committee on Enrolled Bills, reported that this day they presented to the President of the United States, for his approval, bills of the House of the following titles:

H. R. 3216. An act for the relief of Margaret T. Head, administratrix;

H. R. 7475. An act to provide for the removal of the Confederate monument and tablets from Greenlawn Cemetery to Garfield Park;

H. R. 11482. An act to amend section 2 of an act entitled "An act to authorize an appropriation for the care, maintenance, and improvement of the burial grounds containing the remains of Zachary Taylor, former President of the United States, and the memorial shaft erected to his memory, and for other purposes," approved February 24, 1925;

H. R. 11629. An act to amend the proviso of the act approved August 24, 1912, with reference to educational leave to employees of the Indian Service; and

H. R. 11723. An act to provide for the paving of the Government road known as the La Fayette Extension Road, commencing at Lee & Gordon's mill, near Chickamauga and Chattanooga National Military Park, and extending to La Fayette, Ga., constituting an approach road to Chickamauga and Chattanooga National Military Park.

#### ADJOURNMENT

Mr. WHITE of Maine. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 29 minutes p. m.) the House adjourned until to-morrow, Saturday, May 5, 1928, at 12 o'clock noon.

#### COMMITTEE HEARINGS

Mr. TILSON submitted the following tentative list of committee hearings scheduled for Saturday, May 5, 1928, as reported to the floor leader by clerks of the several committees:

##### COMMITTEE ON MILITARY AFFAIRS

(10.30 a. m.)

To consider the private bills.

##### COMMITTEE ON NAVAL AFFAIRS

(10.30 a. m.)

To consider the private bills.

##### COMMITTEE ON THE DISTRICT OF COLUMBIA

(10.30 a. m.)

To authorize the merger of street-railway corporations operating in the District of Columbia (H. J. Res. 276).

#### EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

484. A letter from the Comptroller General of the United States, transmitting report and recommendation to the Congress concerning the claim of the Ayer & Lord Tie Co., with request that you lay same before the House of Representatives; to the Committee on Claims.

485. A letter from the Acting Secretary of Commerce, transmitting draft of a bill for the reconveyance to the Key Realty Co. of the marine biological station at Key West, Fla., which bill the department recommends, be enacted into law during the present session of Congress; to the Committee on the Merchant Marine and Fisheries.



## REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. HILL of Washington: Committee on Indian Affairs. H. R. 11468. A bill authorizing the Secretary of the Interior to execute an agreement or agreements with drainage district or districts providing for drainage and reclamation of Kootenai Indian allotments in Idaho within the exterior boundaries of such district or districts that may be benefited by the drainage and reclamation work, and for other purposes; without amendment (Rept. No. 1506). Referred to the Committee of the Whole House on the state of the Union.

Mr. WINTER: Committee on Mines and Mining. H. R. 496. A bill authorizing an appropriation for development of potash jointly by the United States Geological Survey of the Department of the Interior and the Bureau of Mines of the Department of Commerce by improved methods of recovering potash from deposits in the United States; with amendment (Rept. No. 1518). Referred to the Committee of the Whole House on the state of the Union.

Mr. QUIN: Committee on Military Affairs. H. R. 12110. A bill to amend the act entitled "An act to readjust the pay and allowances of the commissioned and enlisted personnel of the Army, Navy, Marine Corps, Coast Guard, Coast and Geodetic Survey, and Public Health Service," approved June 10, 1922, as amended; without amendment (Rept. No. 1519). Referred to the Committee of the Whole House on the state of the Union.

Mr. VESTAL: Committee on Patents. H. R. 13452. A bill to amend the act entitled "An act to amend and consolidate the acts respecting copyright," approved March 4, 1909, as amended, in respect of mechanical reproduction of musical compositions, and for other purposes; without amendment (Rept. No. 1520). Referred to the House Calendar.

## REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. PEAVEY: Committee on War Claims. H. R. 3937. A bill for the relief of the heirs of Thomas G. Wright; without amendment (Rept. No. 1507). Referred to the Committee of the Whole House.

Mr. HOOPER: Committee on War Claims. H. R. 4781. A bill for the relief of the legal representatives of Cobb Blasdell & Co.; without amendment (Rept. No. 1508). Referred to the Committee of the Whole House.

Mr. PEAVEY: Committee on War Claims. H. R. 9210. A bill for the relief of Lieut. George H. Hauge, United States Army; without amendment (Rept. No. 1509). Referred to the Committee of the Whole House.

Mr. PEAVEY: Committee on War Claims. H. R. 9396. A bill to compensate Eugenia Edwards, of Saluda, S. C., for allowances due and unpaid during the World War; with amendment (Rept. No. 1510). Referred to the Committee of the Whole House.

Mr. PEAVEY: Committee on War Claims. H. R. 9516. A bill for the relief of Capt. W. B. Finney; without amendment (Rept. No. 1511). Referred to the Committee of the Whole House.

Mr. PEAVEY: Committee on War Claims. H. R. 10236. A bill for the relief of Harry M. King; with amendment (Rept. No. 1512). Referred to the Committee of the Whole House.

Mr. PEAVEY: Committee on War Claims. S. 342. An act for the relief of George B. Booker Co.; without amendment (Rept. No. 1513). Referred to the Committee of the Whole House.

Mr. LOWREY: Committee on War Claims. S. 605. An act for the relief of Capt. Clarence Barnard; without amendment (Rept. No. 1514). Referred to the Committee of the Whole House.

Mrs. KAHN: Committee on War Claims. S. 2319. An act for the relief of John W. Stockett; without amendment (Rept. No. 1515). Referred to the Committee of the Whole House.

Mr. LOWREY: Committee on War Claims. S. 2473. An act for the relief of Will J. Allen; without amendment (Rept. No. 1516). Referred to the Committee of the Whole House.

Mr. SINCLAIR: Committee on War Claims. S. 3308. An act to confer jurisdiction on the Court of Claims to hear and determine the facts in the claim of John L. Alcock; without amendment (Rept. No. 1517). Referred to the Committee of the Whole House.

Mr. REECE: Committee on Military Affairs. H. R. 9719. A bill for the relief of George A. Day; without amendment (Rept. No. 1521). Referred to the Committee of the Whole House.

Mr. HILL of Washington: Committee on Indian Affairs. H. R. 11064. A bill for the relief of F. Stanley Millichamp; with amendment (Rept. No. 1522). Referred to the Committee of the Whole House.

Mr. RANSLEY: Committee on Military Affairs. H. R. 13476. A bill for the relief of Joseph M. McAleer; with amendment (Rept. No. 1523). Referred to the Committee of the Whole House.

## PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of Rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ARENTZ: A bill (H. R. 13537) to redesignate the Humboldt, Nevada, and Toiyabe National Forests, within the State of Nevada, as the Humboldt, Nevada, and Toiyabe Federal grazing reserves, to provide for their administration as such, and for other purposes; to the Committee on the Public Lands.

By Mr. BYRNS: A bill (H. R. 13538) interpreting the construction to be placed upon the words "child" and "children" as used in certain sections of the act approved May 18, 1920, June 10, 1922, and June 1, 1926; to the Committee on Military Affairs.

By Mr. CARLEY: A bill (H. R. 13539) repealing the adoption of project for improvement of waterway connecting Gravesend Bay with Jamaica Bay; to the Committee on Rivers and Harbors.

By Mr. PARKS: A bill (H. R. 13540) granting the consent of Congress to the State Highway Commission of Arkansas to construct, maintain, and operate a bridge across the Ouachita River at a point between the mouth of Saline River and the Louisiana and Arkansas line; to the Committee on Interstate and Foreign Commerce.

By Mr. GILBERT: A bill (H. R. 13541) to provide for the establishment of the Fort Boonesboro National Monument in the State of Kentucky, and for other purposes; to the Committee on the Library.

By Mr. PEAVEY: Resolution (H. Res. 185) relative to the construction of a shipway from the Great Lakes to the Atlantic Ocean via the St. Lawrence River; to the Committee on Foreign Affairs.

## PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BURDICK: A bill (H. R. 13542) to authorize the payment of the sum of \$2,500 to the dependents of the officers and men who lost their lives on the submarine S-4; to the Committee on Naval Affairs.

By Mr. CHASE: A bill (H. R. 13543) granting a pension to Emily Cooper Mather; to the Committee on Invalid Pensions.

By Mr. COOPER of Ohio: A bill (H. R. 13544) authorizing the President to appoint Edgar A. Gilbert to the position and rank of first lieutenant in the United States Army; to the Committee on Military Affairs.

By Mr. HERSEY: A bill (H. R. 13545) granting an increase of pension to Helen R. Godsoe; to the Committee on Invalid Pensions.

By Mr. KEARNS: A bill (H. R. 13546) for the relief of Joseph Bratten; to the Committee on Military Affairs.

By Mr. KNUTSON: A bill (H. R. 13547) granting a pension to Samuel H. Anderson; to the Committee on Pensions.

By Mr. KUNZ: A bill (H. R. 13548) for the relief of Harry A. Tedswell; to the Committee on Claims.

Also, a bill (H. R. 13549) granting an increase of pension to Stephen Murphy; to the Committee on Pensions.

By Mr. LEA: A bill (H. R. 13550) granting an increase of pension to Nancy Malchi; to the Committee on Invalid Pensions.

By Mr. MOORMAN: A bill (H. R. 13551) granting a pension to Myzella Rowe; to the Committee on Pensions.

By Mr. MORGAN: A bill (H. R. 13552) granting a pension to Alice J. Warrett; to the Committee on Invalid Pensions.

By Mr. SPEARING: A bill (H. R. 13553) for the relief of Mrs. Sol Lion; to the Committee on Claims.

By Mr. TINKHAM: A bill (H. R. 13554) for the relief of the Burtman Ornamental Iron & Wire Works; to the Committee on Claims.

Also, a bill (H. R. 13555) granting a pension to George Henry Heller; to the Committee on Pensions.

Also, a bill (H. R. 13556) for the relief of Stephen J. Crotty; to the Committee on Military Affairs.

Also, a bill (H. R. 13557) for the relief of Thomas J. Harrington; to the Committee on Naval Affairs.

By Mr. WATSON: A bill (H. R. 13558) granting an increase of pension to Mary W. Ryan; to the Committee on Invalid Pensions.

By Mr. WILLIAMS of Illinois: A bill (H. R. 13559) granting an increase of pension to Rachel Goble; to the Committee on Invalid Pensions.

By Mr. WOLVERTON: A bill (H. R. 13560) granting an increase of pension to Arabella Jefferson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13561) granting an increase of pension to Annie E. Toomey; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13562) for the relief of Ella E. Horner; to the Committee on Claims.

#### PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

7412. By Mr. BEEDY: Petition of over 2,000 employees of the Portsmouth (N. H.) Navy Yard, urging the passage of the bill amending the civil service retirement act which provides \$1,200 the maximum for retirement on 30 years' service; to the Committee on the Civil Service.

7413. By Mr. CARLEY: Petition of S. Goldsmith, secretary Cigarmakers International Union No. 87, against House bill 9195, amending sections 2804 and 3402, Revised Statutes; to the Committee on the Judiciary.

7414. By Mr. DOUGLASS of Massachusetts: Petition of 128 citizens of Massachusetts urging early and favorable enactment of the pending legislation to increase the pensions of veterans and widows of veterans of the Civil War from Mrs. William H. Moore, of 223 Trenton Street, East Boston, Mass., whose husband served with honor in the Civil War in the famous East Boston Regiment of General Barnes; to the Committee on Invalid Pensions.

7415. By Mr. ENGLEBRIGHT: Petition of Thelma Estes and other citizens of Day, Calif., protesting against House bill 78; to the Committee on the District of Columbia.

7416. By Mr. ROY G. FITZGERALD: Memorial of veterans of the World War, petitioning Congress in regard to the McKellar-Fitzgerald bill, known as the Postal Service bill; to the Committee on the Post Office and Post Roads.

7417. By Mr. FITZPATRICK: Petition from the Allied Printing Trades Council of Greater New York, favoring the passage of the Griest postal bill; to the Committee on the Post Office and Post Roads.

7418. Also, petition from the Bindery Women's Union, Local No. 43, International Brotherhood of Bookbinders of New York, and vicinity, favoring the passage of the Griest postal bill; to the Committee on the Post Office and Post Roads.

7419. By Mr. GREGORY: Petition of Ernest Lackey and other citizens of Paducah, Ky., protesting the passage of House bill 78, or any other compulsory Sunday legislation; to the Committee on the District of Columbia.

7420. Also, petition of Hibbert J. Cullars and other citizens of McCracken County, Ky., urging that immediate steps be taken to bring to a vote a Civil War pension bill for the relief of veterans and widows of veterans; to the Committee on Invalid Pensions.

7421. By Mr. MORROW: Petition of citizens of Texico, N. Mex., indorsing Civil War pension legislation; to the Committee on Invalid Pensions.

7422. Also, petition of citizens of Santa Fe, N. Mex., on Civil War pension legislation; to the Committee on Invalid Pensions.

7423. Also, petition of citizens of Roswell, N. Mex., against compulsory Sunday observance legislation; to the Committee on the District of Columbia.

7424. Also, petition of citizens of Roswell, N. Mex., on Civil War pension legislation; to the Committee on Invalid Pensions.

7425. Also, petition of citizens of Reserve, N. Mex., on Civil War pension legislation; to the Committee on Invalid Pensions.

7426. Also, petition of citizens of Roswell, N. Mex., on Civil War pension legislation; to the Committee on Invalid Pensions.

7427. Also, petition of citizens of Gallup, N. Mex., indorsing Civil War pension legislation; to the Committee on Invalid Pensions.

7428. By Mr. MICHENER: Petition of citizens of Jackson, Mich., asking for increase in pensions for Civil War veterans and widows of veterans; to the Committee on Invalid Pensions.

7429. Also, petitions of citizens of second district of Michigan, favoring passage of House bill 11; to the Committee on Interstate and Foreign Commerce.

7430. By Mr. O'CONNELL: Petition of William J. Hammer, late major, General Staff, United States Army; historian gen-

eral, Military Order of the World War; and director, Society American Military Engineers, favoring the passage of the Tyson-Fitzgerald bill; to the Committee on World War Veterans' Legislation.

7431. By Mr. VINCENT of Michigan: Petition of residents of the eighth district of Michigan, urging more liberal pension legislation for the benefit of veterans of the Civil War and widows of veterans; to the Committee on Invalid Pensions.

7432. By Mr. WINTER: Resolutions from John Oliver, president Natrona County Poultry Association, Casper, Wyo., and Palmer Gormley, president Big Horn County Farm Bureau, Greybull, Wyo.; to the Committee on Irrigation and Reclamation.

#### SENATE

SATURDAY, May 5, 1928

(Legislative day of Thursday, May 3, 1928)

The Senate reassembled at 12 o'clock meridian, on the expiration of the recess.

The VICE PRESIDENT. The Senate will receive a message from the House of Representatives.

#### MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the House had passed without amendment the bill (S. 3438) authorizing a per capita payment to the Rosebud Sioux Indians, South Dakota.

The message also announced that the House insisted upon its amendment to the bill (S. 3555) to establish a Federal farm board to aid in the orderly marketing and in the control and disposition of the surplus of agricultural commodities in interstate and foreign commerce, disagreed to by the Senate; agreed to the conference requested by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. HAUGEN, Mr. PURNELL, and Mr. ASWELL were appointed managers on the part of the House at the conference.

#### ENROLLED BILL SIGNED

The message further announced that the Speaker had affixed his signature to the enrolled bill (H. R. 8229) for the appointment of an additional circuit judge for the sixth judicial circuit, and it was signed by the Vice President.

#### CALL OF THE ROLL

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Fletcher	La Follette	Sackett
Barkley	Frazier	Locher	Schall
Bayard	George	McKellar	Sheppard
Bingham	Gerry	McLean	Shipstead
Black	Gillett	McMaster	Shortridge
Blaine	Glass	McNary	Simmons
Bleas	Goff	Mayfield	Smoot
Borah	Gooding	Metcalf	Steiwer
Bratton	Gould	Moses	Stephens
Brookhart	Greene	Neely	Swanson
Broussard	Hale	Norbeck	Thomas
Bruce	Harrison	Norris	Tydings
Capper	Hawes	Overman	Tyson
Couzens	Hayden	Phelps	Vandenberg
Curtis	Howell	Pine	Walsh, Mass.
Cutting	Johnson	Pittman	Warren
Dale	Jones	Ransdell	Waterman
Deneen	Kendrick	Reed, Mo.	Wheeler
Dill	Keyes	Reed, Pa.	
Fess	King	Robinson, Ark.	

Mr. FRAZIER. I desire to announce that my colleague the junior Senator from North Dakota [Mr. Nye] is detained from the Senate on account of illness in his family. I ask that this announcement may stand for the day.

The VICE PRESIDENT. Seventy-eight Senators having answered to their names, a quorum is present.

#### RAILROAD VALUATION

Mr. NORRIS. Mr. President, I desire to offer a Senate resolution. While I think there will be no opposition to the resolution when it is understood by the Senate, yet in talking with several Senators about it the wish has been expressed that it should go over under the rule. In order that there may be no embarrassment about it, I will ask that the resolution be read and then that it may go over under the rule.

The VICE PRESIDENT. The clerk will read the resolution.

The Chief Clerk read the resolution (S. Res. 222), as follows:

Whereas in May, 1923, the National Conference on Valuation of American Railroads was organized for the purpose of securing a fair